

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2001

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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.

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

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TREASURER

PORTFOLIO – TREASURY AND FINANCE

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 Treasurer.

The agencies included herein relating to the portfolio of Treasury and Finance are:

- Electricity Reform and Sales Unit
- Electricity Supply Industry
 - Distribution Lessor Corporation
 - Generation Lessor Corporation
 - RESI Corporation
 - RESI FP Pty Ltd
 - RESI GAS Pty Ltd
 - RESI OE Pty Ltd
 - RESI SYN Pty Ltd
 - Transmission Lessor Corporation
- Judges' Pensions Scheme
- Motor Accident Commission
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme
- South Australian Asset Management Corporation
- South Australian Finance Trust Limited
- South Australian Government Captive Insurance Corporation
- South Australian Government Financing Authority
- South Australian Superannuation Board
 - South Australian Superannuation Scheme
 - Southern State Superannuation Scheme
- Superannuation Funds Management Corporation of South Australia
- Treasury and Finance - Department of

SUPPLEMENTARY REPORT

There are bodies 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 bodies will be included in a Supplementary Report to be presented to Parliament later in this financial year.

- Judges' Pensions Scheme
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme

ELECTRICITY REFORM AND SALES UNIT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Cabinet assigned responsibility for the reform and disposal of the State's electricity assets to the Treasurer. For this purpose, and to assist in the management of the reform and disposal process, the Electricity Reform and Sales Unit (ERSU) was established as a division of the Department of Treasury and Finance. ERSU was headed by two Executive Directors with one being responsible for market and regulatory reform and the other for commercial and sale. The objectives of ERSU were to:

- establish an efficient, competitive electricity industry in South Australia in the context of the National Electricity and Competition Policy;
- establish an appropriate regulatory regime, which encourages competitive outcomes, protection for consumers and certainty for investors;
- advise on the appropriate restructuring of the electricity supply industry to maximise market efficiency and sale/lease value;
- organise the disposal process to ensure an orderly disposal of the State's electricity assets subject to the passage of the necessary legislation;
- continue monitoring the financial and market positions of the electricity entities until their respective disposal.

Legislation

The *Electricity Corporations (Restructuring and Disposal) Act 1999* (the Act) was assented to on 1 July 1999. Section 13 of the Act provides for the disposal of the State's major electricity assets, places limitations on the method of their disposal and permits the Government to proceed with the long term leasing of those assets. There is no restriction in the legislation as to the term of any such lease nor is there any requirement for Parliamentary approval of any extension of such a lease.

Special Deposit Account

A Special Deposit Account entitled, 'Electricity Reform and Sales Operating Account' was established in a previous year under section 8 of the *Public Finance and Audit Act 1987*. The current purpose of the account is:

... to record all the financial transactions of the Electricity Reform and Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from various activities, injections of funds provided from the Consolidated Account, to make payments to the Electricity Sale/Lease Proceeds Account and to apply net or gross proceeds from a sale/lease agreement, sale or lease to repay the Government's indebtedness or for other approved purposes.

Transactions relating to the operations of ERSU are processed through this Special Deposit Account. For the 2000-01 financial year, ERSU operations were financed on a cash flow basis from part lease/sale proceeds received from the disposal of electricity assets. As a result, there was no need to make an appropriation from the Consolidated Account.

Transactions reflected in Special Deposit Accounts are processed by the Finance Branch of the Department of Treasury and Finance. Commentary on the general financial controls and the computer information systems environment are detailed under the Department of Treasury and Finance section of this Report and are relevant to the overall operations of ERSU.

Electricity Sale/Lease Proceeds Account

During the previous financial year, the Treasurer approved the creation of a new Special Deposit Account entitled the 'Electricity Sale/Lease Proceeds Account'. The purpose of the account is:

... to receive proceeds of a sale/lease agreement, sale or lease under the Electricity Corporations (Restructuring and Disposal) Act 1999 and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of State debt.

Although the Electricity Sale/Lease Proceeds Account was not directly controlled by ERSU, it was related to the electricity assets disposal process as ERSU was responsible for the management of the disposal process and the Treasurer determined the dissection of the proceeds between the two Special Deposit Accounts. ERSU received part of the disposal proceeds which it used to finance disposal costs and the operation of its Special Deposit Account and the Proceeds Account was used to receive the majority of the proceeds which were used exclusively to retire State debt.

CHANGES TO ORGANISATIONAL STRUCTURE AND FUNCTION

With the completion of the disposal of the State's electricity assets, from 1 January 2001, the Electricity Reform and Sales Unit was disbanded. Electricity reform management is now part of the broader microeconomic reform function in the Department of Treasury and Finance and is funded from revenue from government.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(a) of the *Public Finance and Audit Act 1987* (the Act) provides for the Auditor-General to audit the public accounts in respect of each financial year and under the Act, special deposit accounts are included as part of the public accounts.

Scope of Audit

The audit program covered all major financial systems relevant to ERSU in its capacity as a division of the Department of Treasury and Finance 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:

- proceeds from the lease/sale of electricity assets and related transactions
- income from the investment of funds of the two Special Deposit Accounts
- payments made towards the retirement of State debt
- disposal costs
- payments to consultants and administration expenditure.

The Auditor-General also has responsibilities in relation to reporting on the processes leading up to the making of long term leases for electricity assets. These matters were separately reported to Parliament in a series of reports. The final report was tabled on 20 March 2001 and was titled 'Electricity Businesses Disposal Process in South Australia: Report by the Auditor-General pursuant to section 22(2) of the *Electricity Corporations (Restructuring and Disposal) Act 1999* on Relevant Long Term Leases'.

Audit Communications to Management

No formal letter was sent to the management of the Electricity Reform and Sales Unit as no matters of significance were noted during the course of the Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the internal control structure of ERSU concluded that an adequate system of internal control was in place and that transactions processed were subject to internal check, were duly authorised by an appropriate officer and that major financial transactions were supported by duly executed contracts or agreements. All lease/sale transactions that occurred were approved by Cabinet.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Electricity Reform and Sales Unit 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 Electricity Reform and Sales Unit 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

Expenses from Ordinary Activities

Expenses amounted to \$27.2 million and included expenditure for consultants on an accruals basis of \$17.6 million (\$55.2 million).

Electricity Asset Disposal - Total Consultancy Expenditure

The following table sets out a summary of the consultancy services provided over the four years ERSU operated:

Consultancy Service	2000-01 \$'000	1999-2000 \$'000	1998-99 \$'000	1998-97 \$'000	Total \$'000
Legal	7 683	29 692	17 162	1 851	56 388
Lead	4 373	12 805	6 937	1 229	25 344
Accounting	3 518	6 948	5 525	1 802	17 793
Other	2 061	5 785	5 947	1 073	14 866
	17 635	55 230	35 571	5 955	114 391

The most significant of the total expenditure for consultants was for legal work which included work on due diligence, data room management, disaggregation, Australian Competition and Consumer Commission (ACCC) issues, regulatory issues, vesting contracts, electricity pricing orders, codes and licences, legislative changes, contract negotiations, transaction documents, information memorandums, probity/bid evaluations, presentation to bidders, and legal advice. In addition, expenditure on consultants included a success fee paid to the lead and accounting consultants.

Electricity Asset Disposals - Disposal Costs

Disposal costs totalled \$5.8 million. Disposal costs included costs incurred by ERSU in the disposal of the assets with the main item of expenditure being the purchase of the fleet vehicles at a total cost of \$4 million. Under the Business Sale Agreements, the Treasurer was obliged to purchase the fleet vehicles from the State vehicle lessor (Commonwealth Bank) and then transfer them to the respective new lessee/purchaser of the disposed electricity assets.

Revenues from Ordinary Activities

Revenues include distributions from residual electricity entities of \$53.2 million. Revenues associated with lease/sale proceeds belong to the residual electricity entities with the two Special Deposit Accounts merely holding the cash. When the residual electricity entities earn revenue, they account for revenue earned and distributions made. Such distribution are subsequently recorded in ERSU's accounts.

There is a timing difference between the receipt of the lease/sale proceeds and when distributions are brought to account. As a consequence, this Report has focused on cash proceeds received.

For an explanation of the net cash proceeds received from assets leases refer to the table under the heading, 'Further Commentary on Operations', 'Asset Leases/Sales'.

Payment to Government - Return to the Consolidated Account

The most significant transaction in the Statement of Financial Performance is the \$50.8 million return to the Consolidated Account. Under the provisions of the *Electricity Corporations (Restructuring and Disposal) Act 1999*, sale/lease proceeds can be used to finance the disposal process, the activities of the ERSU Operating Account, with the major portion of the proceeds being used to retire State debt. The Treasurer approved that proceeds received in prior years not related to the lease/sale process be returned to the Consolidated Account. Such proceeds comprised the sale of the rights to construct the Pelican Point Power Station \$26 million, Budget Appropriations of \$20 million provided in previous years to fund the operations of the ERSU Operating Account (prior to lease/proceeds being received) and Vesting Compensation Deed proceeds and sundry income of \$4.8 million.

Statement of Financial Position

The major balance is the cash balance of the ERSU Operating Account which at 30 June 2001 stood at \$11 million. This represents the major asset that ERSU has after the completion of the electricity assets disposal process. It is committed to the settlement of creditors and payment of \$10 million to establish an account at the Department of Treasury and Finance for the Electricity Country Price Equalisation Scheme. Under subsection 21(1)(c) of the *Electricity Corporations (Restructuring and Disposal) Act 1999*, the account is 'to be used for the purposes of a scheme to limit differences between electricity prices charged to classes of consumers in non-metropolitan areas and those charged to corresponding consumers in metropolitan areas'.

Statement of Cash Flows

The net decrease in cash was \$36.1 million. This resulted as total receipts of \$36 million and the distribution received from electricity entities \$53.2 million, were exceeded by total payments of \$75.3 million and the return to the Consolidated Account of \$50.8 million. The most significant of the payments was the payment of stamp duty of \$39.1 million.

FURTHER COMMENTARY ON OPERATIONS

Assets for Disposal

As discussed in the previous year's Report, the State's electricity businesses were disaggregated into the following seven separate physical operating entities, the businesses of which or shares in which were subject to disposal:

- ETSA Power Pty Ltd - Retailing
- ETSA Utilities Pty Ltd - Distribution
- Optima Energy Pty Ltd - Torrens Island Power Station
- Synergen Pty Ltd - Port Lincoln, Snuggery, Dry Creek and Mintaro Power Stations
- Terra Gas trader Pty Ltd - A gas trader
- Flinders Power Pty Ltd - Leigh Creek Coal Mine, Northern and Playford Power Stations
- ETSA Transmission Corporation trading as ElectraNet SA - Transmission.

The status of the disposal of the above assets is as follows:

Completed in 1999-2000:

- ETSA Power Pty Ltd
- ETSA Utilities Pty Ltd
- Optima Energy Pty Ltd
- Synergen Pty Ltd.

Completed in 2000-01:

- Flinders Power Pty Ltd — Lease/sale agreements executed and proceeds settled.
- Terra Gas trader Pty Ltd — Sale agreements executed and proceeds settled.
- ElectraNet SA — Lease/sale agreements executed and proceeds settled.

Asset Leases/Sales

The following table summarises the cash proceeds received for the lease/sale of electricity assets transacted in 2000-01 through the two Special Deposit Accounts established to process disposal of electricity assets.

Asset	ERSU Operating Account \$'000	Electricity Sale/Lease Proceeds Account \$'000	Overall Position \$'000
Flinders Power Pty Ltd - Cash proceeds	15 670	298 704	314 374
Costs/Transfer:			
(Less) Add: Stamp duty	(10 678)	-	(10 678)
(Less) Add: Transfer	(322)	322	-
	(11 000)	322	(10 678)
(Less): Retained by ERSU to cover disposal and operating costs	(4 670)	-	(4 670)
	-	299 026	299 026
Terra Gas trader Pty Ltd - Cash proceeds	2 799	32 201	35 000
Costs/Transfer:			
(Less) Add: Stamp duty	(2 274)	-	(2 274)
(Less) Add: Transfer	(226)	226	-
	(2 500)	226	(2 274)
(Less): Retained by ERSU to cover disposal costs	(299)	-	(299)
	-	32 427	32 427
ElectraNet Pty Ltd - Cash proceeds	75 823	850 569	926 392
Costs/Transfer:			
(Less) Add: Stamp duty	(19 447)	-	(19 447)
(Less) Add: Transfer	(553)	553	-
	(20 000)	553	(19 447)
(Less): Retained by ERSU to cover disposal and other costs	(55 823)	-	(55 823)
	-	851 122	851 122
ETSA Power and Utilities - Cash proceeds	-	-	-
(Less): Transfer	(2 958)	2 958	-
	-	2 958	*2 958
Optima Energy Pty Ltd - Cash proceeds	-	-	-
Costs/Transfer:			
(Less) Add: Stamp duty	(5 736)	-	(5 736)
Add: Reversal previous years stamp duty accrual	6 000	-	6 000
(Less) Add: Transfer	(264)	264	-
	-	264	*264
Synergen Pty Ltd - Cash proceeds	-	-	-
Costs/Transfer:			
(Less) Add: Stamp duty	(937)	-	(937)
Add: Reversal previous years stamp duty accrual	2 000	-	2 000
(Less) Add: Transfer	(1 063)	1 063	-
	-	1 063	*1 063
Total Net Cash Proceeds	-	1 186 860	1 186 860

* Transfer of funds from previous year's proceeds as assets leased and proceeds received in the previous year.

As previously explained, under the purpose definitions of the two Special Deposit Accounts established to process the disposal of the State's electricity assets, the ERSU Operating Account receives part lease/sale proceeds which are used to finance disposal costs and the cost of operating the ERSU Special Deposit Account. The Electricity Sale/Lease Proceeds Account receives the major portion of the proceeds and uses those proceeds for debt retirement purposes. The Proceeds Account is not authorised to make payments other than debt retirement payments and that is why the ERSU Operating Account is used to settle disposal costs. Funds remaining in the ERSU Operating Account after the completion of the disposal of each asset have been paid to the Electricity Sale/Lease Proceeds Account and used to retire State debt. These are reflected as transfers in the above table.

Stamp duty of \$39.1 million relating to the disposal of the above assets was paid to the Consolidated Account and is therefore netted from the part proceeds received by the ERSU Operating Account. The Treasurer subsequently approved that \$39.1 million being equal to the stamp duty revenue, be appropriated from the Consolidated Account to the Electricity Sale/Lease Proceeds Account keeping that part of the gross cash proceeds intact. This enabled those funds to be used to retire State debt.

In accordance with the purpose definition of the ERSU Operating Account, the Treasurer approved that \$5.4 million be transferred from part proceeds received, to the Electricity Sale/Lease Proceeds Account to be used to retire State debt.

In analysing the above table and to assist in its interpretation, from the overall position of the State, it can be said that the cash proceeds received for the lease/sale of:

- Flinders Power Pty Ltd were \$314.4 million and after deducting proceeds retained by the ERSU Operating Account to finance operating and disposal costs and stamp duty an amount of \$299 million was applied in the Electricity Sale/Lease Proceeds Account to retire debt from lease cash proceeds;
- Terra Gas trader Pty Ltd were \$35 million and after deducting proceeds retained by the ERSU Operating Account to finance disposal costs and stamp duty an amount of \$32.4 million was applied in the Electricity Sale/Lease Proceeds Account to retire debt from cash proceeds;
- ElectraNet Pty Ltd were \$926.4 million and after deducting proceeds retained by the ERSU Operating Account to finance disposal and other costs and stamp duty an amount of \$851.1 million was available in the Electricity Sale/Lease Proceeds Account to retire debt from cash proceeds.

ELECTRICITY REFORM AND SALES OPERATING ACCOUNT

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs		9	7
Accommodation expenses		827	1 878
Depreciation		8	8
Other expenses from ordinary activities	3	20 543	61 241
Disposal costs	4	5 792	22 196
Total Expenses		27 179	85 330
REVENUE FROM ORDINARY ACTIVITIES:			
Distribution from electricity entities	5(a)(b)	53 207	79 604
Part proceeds from asset leases	5(b)	4 627	229
Contributions from electricity entities	5(c)	-	1 000
Repayment of optima shareholder loan	5(d)	-	13 000
Other revenue from ordinary activities		263	18
Total Revenue		58 097	93 851
NET SURPLUS (COST) OF SERVICES	10	30 918	8 521
REVENUES FROM (PAYMENT TO) GOVERNMENT:			
Return to Consolidated Account	11	(50 776)	-
Total Revenues from (payment to) Government		(50 776)	-
NET RESULT	8	(19 858)	8 521
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(19 858)	8 521

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		11 032	47 133
Receivables	6	-	785
Total Current Assets		11 032	47 918
NON-CURRENT ASSETS:			
Property, plant and equipment		13	21
Total Non-Current Assets		13	21
Total Assets		11 045	47 939
CURRENT LIABILITIES:			
Payables	7	693	17 729
Total Current Liabilities		693	17 729
Total Liabilities		693	17 729
NET ASSETS		10 352	30 210
EQUITY:			
Retained surplus	8	10 352	30 210
Contingent Obligations	9		

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
PAYMENTS:			
Employee costs		(9)	(7)
Accommodation expenses		(844)	(1 873)
Other expenses from ordinary activities		(29 117)	(54 553)
Disposal costs		(6 237)	(21 146)
Stamp duty		(39 072)	(103 880)
GST payments on purchases		(521)	-
GST payments to taxation authority		(7)	-
Total Payments		(75 807)	(181 459)
RECEIPTS:			
Other revenue from ordinary activities		266	15
Contributions from electricity entities		-	1 000
Repayment of optima shareholder loan		-	13 000
Part proceeds from lease of assets	5(b)	4 627	229
Stamp duty		31 072	111 880
GST receipts on receivables		7	-
GST receipts from taxation authority		521	-
Total Receipts		36 493	126 124
CASH FLOWS FROM (TO) GOVERNMENT:			
Return to consolidated account	11	(50 776)	-
Total Cash Flows from (to) Government		(50 776)	-
Net Cash used in Ordinary Activities	10	(90 090)	(55 335)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of office equipment		-	(11)
Distribution from electricity entities	5(b)	53 207	79 604
Net Cash provided by Investing Activities		53 207	79 593
CASH FLOWS FROM FINANCING ACTIVITIES:			
SA Gas Market study	6	782	(782)
Net Cash provided by (used in) Financing Activities		782	(782)
NET (DECREASE) INCREASE IN CASH HELD		(36 101)	23 476
CASH AT 1 JULY		47 133	23 657
CASH AT 30 JUNE		11 032	47 133

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Electricity Reform and Sales Operating Account encompasses the activities of the Electricity Reform and Sales Unit (ERSU), established by the Government to sell or lease its electricity utilities, ETSA Corporation and Optima Energy, in a process expected to take up to two years. The objectives of the Electricity Reform and Sales Unit are to:

- establish an efficient, competitive electricity industry in South Australia in the context of the National Electricity and Competition Policy;
- establish an appropriate regulatory regime, which encourages competitive outcomes, protection for consumers and certainty for investors;
- advise on the appropriate restructuring of the electricity supply industry to maximise market efficiency and sale/lease value;
- organise the sale process to ensure an orderly sale of the State's electricity assets, subject to passage of the necessary legislation;
- continue monitoring the financial and market positions of the electricity entities until their respective lease/sales.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and applicable Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where otherwise stated.

(b) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Electricity Reform and Sales Operating Account' (the Account). Interest earned by the ERSU Operating Account from the date of receipt of part lease/sale proceeds is calculated and credited to the associated Electricity Sale/Lease Proceeds Account and is used for the purpose of retiring State debt. The account is administered by, but not controlled by, the Department of Treasury and Finance.

The Department of Treasury and Finance provides staffing resources and administrative support to the Electricity Reform and Sales Unit. Treasury and Finance is reimbursed for the cost of staffing resources and administrative support from the Account.

The Account's principal source of funds consists of:

- part proceeds from asset leases and related transactions;

- (c) **Appropriations**
Appropriations are recognised as revenue when the Unit obtains control over the assets comprising the contribution. Control over appropriation is normally obtained upon their receipt. For 2000-01 no appropriation was made as operations were financed from part lease/sale proceeds received.
- (d) **Employee Costs**
The Department of Treasury and Finance provides staffing resources for the Electricity Reform and Sales process. The responsibility for employee entitlements rests with Treasury and Finance and a provision is not required to be established. The expenditure incurred in 1999-2000 reflects board fees paid for the Consumer Consultative Committee.
- (e) **Cash**
For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.
- (f) **Lease/Sale Proceeds and Distributions from Electricity Entities**
Under the purpose definition of the Special Deposit Account, it authorises the receipt by the Operating Account of lease/sale proceeds and in particular the account receives part lease/sale proceeds and applies those proceeds to finance the disposal of assets and the operation of the Account. The bulk of the lease/sale proceeds are recorded in the Electricity Sale/Lease Proceeds Account and are used exclusively to retire State debt. The cash lease/sale proceeds are reflected in the Statement of Cash Flows.

The revenue associated with the lease/sale proceeds belongs to the electricity entities, with the Account merely holding the cash. When those entities earn revenue, they bring revenue to account and make distributions. Distributions are split between the two Special Deposit Accounts with the bulk being recorded in the Electricity Sale/Lease Proceeds Account. The split for the current year allocated a distribution from electricity entities to the ERSU Operating Account to almost equal the cash lease/sale proceeds it received.
- (g) **Adoption of AAS 1, AAS 36 and AAS 37**
The Special Deposit Account 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 Disclosure' for the first time in the preparation of the 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.

3. Other Expenses from Ordinary Activities	2001	2000
Administration Expenses:	\$'000	\$'000
Reimbursement to the Department of Treasury and Finance for administrative support	1 952	4 248
Crown Solicitors legal costs	24	115
Other administration expenses	932	1 648
Consultants	17 635	55 230
	20 543	61 241

Consultants	2001	2000
	Number of	Number of
	Consultants	Consultants
Expenditure incurred on consultants fell within the following bands:		
\$0 - \$10 000	5	13
\$10 001 - \$50 000	2	8
\$50 001 - \$100 000	3	5
\$100 001 - \$150 000	4	-
\$Over \$150 000	10	14
	24	40

The total expenditure incurred in 2000-01 for the 24 (40) consultants was \$17.6 million (\$55.2 million).

4. Disposal Costs	2001	2000
	\$'000	\$'000
ETSA	-	11 687
Optima Energy	-	693
Synergen	-	457
Flinders Power - Purchase lease vehicles, Directors completion and retention fees	4 670	-
Terra Gas - Purchase lease vehicles, Directors completion and retention fees	299	-
ElectraNet - Purchase lease vehicles, Directors completion and retention fees	823	-
AGL	-	8 359
EDS	-	1 000
	5 792	22 196

5. Revenues from Ordinary Activities							
(a) Distribution from Electricity Entities							
Represents distributions from electricity entities to 30 June 2001. Refer Note 2 (f).							
				53 207			79 604
(b) Part Proceeds from Asset Leases							
	Flinders	Terra	ElectraNet	2001	Optima	Synergen	Total
	\$'000	\$'000	\$'000	ETSA	\$'000	\$'000	\$'000
Part proceeds	15 670	2 799	75 823	-	-	-	94 292
Less: Stamp duty expenses	10 678	2 274	19 447	-	(264)	(1 063)	31 072
Part proceeds net of stamp duty	4 992	525	56 376	-	264	1 063	63 220
Less: Transfer to proceeds account	322	226	553	2 958	264	1 063	5 386
Net part proceeds from Asset Leases	4 670	299	55 823	(2 958)	-	-	57 834

(b) Part Proceeds from Asset Leases (continued)	2000
Reconciled to the Statement of Cash flows as follows:	\$'000
Part proceeds - Ordinary activity	4 627
Part proceeds - Investing activity	53 207
Total	<u>57 834</u>

Part Proceeds from Asset Leases

	2000			Total \$'000
	ETSA \$'000	Optima \$'000	Synergen \$'000	
Part proceeds	280 463	6 693	2 457	289 613
Less: Stamp duty expense	103 880	6 000	2 000	111 880
Part proceeds net of stamp duty	<u>176 583</u>	<u>693</u>	<u>457</u>	<u>177 733</u>
Less: Transfer to proceeds account	97 900	-	-	97 900
Net part proceeds from Asset Leases	<u>78 683</u>	<u>693</u>	<u>457</u>	<u>79 833</u>

Reconciled to the Statement of Cash Flows as follows:	2000
	\$'000
Part proceeds - Ordinary activities	229
Part proceeds - Investing activities	79 604
Total	<u>79 833</u>

Stamp duty is payable to State Taxation and is therefore netted from the part proceeds received. The actual payment of cash stamp duty was \$39.1 million which was paid to State Taxation. The Treasurer approved that \$39.1 million of stamp duty revenue be appropriated from the Consolidated Account to the Electricity Sale/Lease Proceeds Account. This enabled those funds to be used to retire State debt.

In accordance with the purpose definition of the Operating Account, the Treasurer approved that \$5.4 million be transferred from part proceeds received, to the Electricity Sale/Lease Proceeds account to be used to retire State debt.

Net part proceeds reflects amounts authorised by the Treasurer, to be retained in the Operating Account from part proceeds for the purpose of financing disposal and operating costs.

(c) Contribution from Electricity Entities	2001	2000
Contributions from Electricity entities reflects the recovery of expenditure incurred by ERSU for the reform and restructure of the State's electricity assets.	\$'000	\$'000
For 1999-2000 contributions reflect recovery of EDS contract break costs.	-	1 000

(d) Repayment of Optima Shareholder Loan		
The Treasurer authorised that Optima Energy Pty Ltd repay its share holder loan and that ERSU receive part repayment. The funds were used to settle the Vesting Compensation Deed.	-	13 000

6. Receivables		
SA Gas market study	-	782
Others	-	3
	<u>-</u>	<u>785</u>

Included in the receivables in 1999-2000 is an amount of \$782 000 for transactions initially incurred by ERSU for the conduct of a gas market study. This has been classified in the Statement of Cash Flows as a financing activity as the expenditure was on behalf of an activity not directly related to the ordinary activities of ERSU. It was transferred to a new Special Deposit Account established in the 2000-01 financial year.

7. Payables	2001	2000
	\$'000	\$'000
Accommodation expenses	3	20
Administration expense	85	283
Consultants fees	-	8 376
Disposal costs	605	1 050
Stamp duty	-	8 000
	<u>693</u>	<u>17 729</u>

8. Retained Surplus		
Balance at 1 July	30 210	21 689
Net result	(19 858)	8 521
Balance at 30 June	<u>10 352</u>	<u>30 210</u>

9. Contingent Obligations	
Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2001 has been estimated at \$300 000.	

10.	Reconciliation of Net Cash used in Ordinary Activities to Net Surplus (Cost) of Services	2001	2000
		\$'000	\$'000
	Net cash used in ordinary activities	(90 090)	(55 335)
	Add: Distribution from electricity entities - Investing activities	53 207	79 604
	Add: Return to consolidated accounts	50 776	-
	Non-cash items:		
	Depreciation expense	(8)	(8)
	Change in assets and liabilities:		
	Decrease (Increase) in liabilities	17 036	(15 743)
	(Decrease) Increase in assets	(3)	3
	Net Surplus (Cost) of Services	30 918	8 521

- 11. Return to Consolidated Account**
The Treasurer approved that proceeds received in prior years not related to sale/lease proceeds such as Pelican Point \$26 million, Budget Appropriations \$20 million and vesting compensation deed proceeds and sundry income \$4.8 million be returned to the Consolidated Account.

ELECTRICITY SALE/LEASE PROCEEDS ACCOUNT

SIGNIFICANT FEATURES

- The cash proceeds for the lease/sale of electricity assets after deducting proceeds retained by the ERSU Operating Account were Flinders Power \$299 million, Terra Gas trader Pty Ltd \$32.4 million and ElectraNet \$851.1 million. A total of \$1 186.9 million cash proceeds from the years activities were used for State debt retirement purposes.
- Interest income was \$23.9 million (\$40.2 million).
- State debt reduction payments were \$2 550.2 million (\$2 410.2 million) and the cash balance available in the Special Deposit Account to complete debt reduction payments was \$3 million (\$1 295 million).

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses from Ordinary Activities

In accordance with the purpose definition of the Electricity Sale/Lease Proceeds Account, all proceeds received in the Account from the sale or lease of the electricity assets and investment of funds are to be used to retire State debt. For the 2000-01 financial year, a total of \$2 550.2 million was paid to the South Australian Government Financing Authority towards State debt retirement purposes. Including the previous years payment, total debt reduction payments were \$4 960.3 million.

Revenues from Ordinary Activities

For an explanation of the proceeds for 2000-01 from the lease/sale of electricity assets refer to the previous table under the heading 'Further Commentary on Operations' and Note 4 of the financial statements.

Statement of Financial Position

The cash balance of the Special Deposit Account which at 30 June 2001 stood at \$3 million was used in July 2001 to complete the Electricity Corporation Disposal and state debt retirement program.

The statement also shows net liabilities of \$495.2 million even though the electricity assets disposal process is completed. Net liabilities are represented by a receivable of \$13.6 million from the residual electricity entities and total payables of \$512.1 million to the residual lessor corporations. Even though all the cash lease/sale proceeds have been received, all the revenue has not yet been earned. The payables represent the unearned land lease rentals which are to be brought to account over the life of the land lease contracts.

The accumulated deficit of \$495.2 million will be offset when all the land lease rentals have been brought to account.

Statement of Cash Flows

The statement shows that debt reduction payments of \$2 550.2 million were financed from cash proceeds from the lease/sale of Electricity Assets \$1 186.9 million and cash in the Special Deposit Account carried forward from the previous year of \$1 292 million.

ELECTRICITY SALE/LEASE PROCEEDS ACCOUNT

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
State debt reduction payments	3	2 550 151	2 410 174
Total Expenses		2 550 151	2 410 174
REVENUES FROM ORDINARY ACTIVITIES:			
Distributions from electricity entities	4(a)	2 382 543	1 875 252
Interest		23 949	40 227
Other revenue from ordinary activities		230	-
Total Revenues		2 406 722	1 915 479
NET SURPLUS (COST) OF SERVICES	6	(143 429)	(494 695)
REVENUES FROM GOVERNMENT:			
Appropriation	4(b)	39 072	103 880
NET RESULT	5	(104 357)	(390 815)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(104 357)	(390 815)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash	7	2 958	1 294 959
Receivables	7,8	13 924	8 324
Total Current Assets		16 882	1 303 283
Total Assets		16 882	1 303 283
CURRENT LIABILITIES:			
Payables	9	1 599	1 417 334
Total Current Liabilities		1 599	1 417 334
NON-CURRENT LIABILITIES:			
Payables	9	510 455	276 764
Total Non-Current Liabilities		510 455	276 764
Total Liabilities		512 054	1 694 098
NET ASSETS (LIABILITIES)		(495 172)	(390 815)
EQUITY:			
Accumulated Surplus (Deficit)	5	(495 172)	(390 815)

Statement of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
PAYMENTS:			
State debt reduction payments	3	(2 550 151)	(2 410 174)
Total Payments		(2 550 151)	(2 410 174)
RECEIPTS:			
Interest income		31 988	31 903
Other revenue from ordinary activities		230	-
Total Receipts		32 218	31 903
CASH FLOW FROM GOVERNMENT:			
Appropriation	4(b)	39 072	103 880
Total Cash Flow from Government		39 072	103 880
Net Cash used in Ordinary Activities	6	(2 478 861)	(2 274 391)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from lease/sale of electricity assets	4(c)	1 186 860	3 569 350
Net Cash provided by Investing Activities		1 186 860	3 569 350
NET (DECREASE) INCREASE IN CASH HELD		(1 292 001)	1 294 959
CASH AT 1 JULY		1 294 959	-
CASH AT 30 JUNE		2 958	1 294 959

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The objectives of the Electricity Sale/Lease Proceeds Special Deposit Account are to:

- receive proceeds of a sale/lease agreement, sale or lease under the *Electricity Corporations (Restructuring and Disposal) Act 1999* and other funds as approved by the Treasurer;
- receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed;
- invest those monies;
- apply those monies and income from their investment, towards the retirement of State debt.

2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

The accounts have been prepared in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and applicable Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where otherwise stated.

(b) **The Reporting Entity**

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Electricity Sale/Lease Proceeds Account' (the Account). The Account is administered and controlled by, the Department of Treasury and Finance.

The Department of Treasury and Finance provides staffing resources and administrative support to the Electricity Sale/Lease Proceeds Account. As the Account can only be used for the purpose of retirement of State debt, Treasury and Finance bears the cost of staffing resources and administrative support for the debt retirement process. The ERSU Operating Account bears the cost of the lease/sale process.

The Account's principal source of funds consists of:

- proceeds from asset lease/sales and related transactions.

(c) **Employee Entitlements**

The Department of Treasury and Finance provides staffing resources for the debt retirement process. The responsibility for employee entitlements rests with Treasury and Finance and a provision is not required to be established.

(d) **Cash**

For the purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(e) **Comparative Figures**

The Electricity Sale/Lease Proceeds Account was established in January 2000 and as such the comparative figures for 2000 reflect only transactions from that date.

(f) **Lease/Sale Cash Proceeds and Distributions from Electricity Entities**

Under the purpose definition of the Special Deposit Account, it authorises the receipt by the Account of lease/sale proceeds. The bulk of the lease/sale proceeds are recorded in the Electricity Sale/Lease Proceeds Account and are used exclusively to retire State debt. Part lease/sale proceeds are recorded in the ERSU Operating Account and are used to finance disposal of assets and the operation of that Account. The cash lease/sale proceeds are reflected in the Statement of Cash Flows.

The Account holds cash lease/sale proceeds which is classified as a payable as the revenue associated therewith belongs to the electricity entities, and is payable back to those entities. When those entities earn revenue, they bring lease revenue to account and make distributions. The Account records revenue from distributions by reducing the payable and crediting 'Distributions from Electricity Entities'.

(g) **Adoption of AAS 1, AAS 36 and AAS 37**

The Special Deposit Account 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 the 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.

3. State Debt Reduction Payments

In accordance with the purpose definition of the Account, all proceeds received in the Account from the sale or lease of electricity assets and investments of funds are to be used to retire State debt. For the 2000-01 financial year a total of \$2 550.2 million (\$2 410.2 million) was applied towards State debt retirement purposes.

4. Revenue from Ordinary Activities

(a) **Distribution from Electricity Entities**

Receipts from the lease/sale of electricity entities assets resulted in an initial payable which at 30 June, had been partly offset by distributions receivable from those entities which for the year ended 30 June 2001 was \$2382.5 million (\$1 875.3 million).

(b) **Revenue from Government Appropriations**

Stamp duty was paid to State Taxation from the ERSU Operating Account. The Treasurer approved that \$39.1 million (\$103.9 million) of stamp duty revenue be appropriated from the Consolidated Account to the Electricity Sale/Lease Proceeds Account and be used to retire State debt.

(c) Cash Proceeds from Lease/Sale of Electricity Assets	2001	2000
	\$'000	\$'000
ETSA Power and ETSA Utilities - Major portions of proceeds	-	3 150 000
Transfer from ERSU Operating Account	2 958	97 900
Total Proceeds - ETSA Power and ETSA Utilities	2 958	3 247 900
Optima - Major portion of proceeds	-	288 307
Transfer from ERSU operating account	264	-
Total Proceeds - Optima	264	288 307
Synergen - Major portion of proceeds	-	33 143
Transfer from ERSU operating account	1 063	-
Total Proceeds - Synergen	1 063	33 143
Flinders Power - Major portion of proceeds	298 704	-
Transfer from ERSU operating account	322	-
Total Proceeds - Flinders Power	299 026	-
Terra Gas - Major portion of proceeds	32 201	-
Transfer from ERSU operating account	226	-
Total Proceeds - Terra Gas	32 427	-
ElectraNet - Major portion of proceeds	850 569	-
Transfer from ERSU operating account	553	-
Total Proceeds - ElectraNet	851 122	-
Total Cash Proceeds	1 186 860	3 569 350
Reconciliation of cash proceeds is as follows:		
Income earned - Distribution from electricity entities	2 382 543	1 875 252
Income unearned - Payable back to electricity entities	512 054	1 694 098
Income earned - From prior year distribution from electricity entities	(1 694 098)	-
Income earned - Receivable from RESI Group of Companies	(13 639)	-
Total Cash Proceeds	1 186 860	3 569 350

Transfer

The Treasurer approved that \$5.4 million (\$97.9 million) be transferred from the part proceeds received in the ERSU Operating Account to the Electricity Sale/Lease Proceeds Account and be used to retire State debt.

5. Accumulated Surplus (Deficit)		
Balance at 1 July	(390 815)	-
Net result	(104 357)	(390 815)
Balance at 30 June	(495 172)	(390 815)
6. Reconciliation of Net Cash used in Ordinary Activities to Net Surplus (Cost) of Services		
Net cash used in ordinary activities	(2 478 861)	(2 274 391)
Less: Revenue from Government appropriation	(39 072)	(103 880)
Change in assets and liabilities:		
(Decrease) Increase in assets - Receivables	(8 039)	8 324
Distribution from electricity entities	2 382 543	1 875 252
Net Surplus (Cost) of Services	(143 429)	(494 695)

7. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies*(i) Financial Assets*

- Cash on hand is available at call and is recorded at cost.
- Cash on deposits is available on maturity and is recorded at cost.
- Receivables are interest accruals based on actual rates (fixed term deposits) or floating rate (balance) and balance owed by RESI companies.

(b) Interest Rate Risk

	2001				Weighted
	Floating	Fixed	Non-	Total	Average
Financial Instrument	Interest	Interest	interest	Carrying	Effective
Financial Assets:	Rate	Rate	Bearing	Amount	Rate
Cash on hand	\$'000	\$'000	\$'000	\$'000	Percent
Cash on deposit	2 958	-	-	2 958	5.77
Sub Total Cash	-	-	-	-	
Receivables	2 958	-	-	2 958	
Total	-	-	13 924	13 924	
	2 958	-	13 924	16 882	

Electricity Reform and Sales Unit

(b) Interest Rate Risk (continued)	2000				Weighted Average Effective Rate Percent
	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non- interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Instrument					
Financial Assets:					
Cash on hand	823 509	-	-	823 509	5.58
Cash on deposit	-	471 450	-	471 450	6.16
Sub Total Cash	823 509	471 450	-	1 294 959	
Receivables	-	-	8 324	8 324	-
Total	823 509	471 450	8 324	1 303 283	

(c) **Net Fair Values**

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximate the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand.

8. Receivables		2001	2000
		\$'000	\$'000
	Interest receivable to 30 June on investments	285	8 324
	Receivable from RESI Group of Companies	13 639	-
		13 924	8 324
9. Payables	Current:		
	Electricity entities - Lease proceeds	1 599	1 417 334
	Non-Current:		
	Electricity entities - Lease proceeds	510 455	276 764
Total Payables	512 054	1 694 098	

The remaining current payable will be offset by a distribution receivable from Generator Lessor Corporation and Distribution Lessor Corporation next year and represents land lease rentals.

The non-current payable will be offset by distributions receivable from Distribution Lessor Corporation, Transmission Lessor Corporation and Generator Lessor Corporation over the life of their land lease contracts.

ELECTRICITY SUPPLY INDUSTRY

OVERVIEW

STRUCTURE OF THIS SECTION OF THE REPORT

To provide an understanding, and to assist with readability, this section of the Report comments on changes to organisational structures resulting from the disposal of the South Australian Government owned electricity assets.

OVERVIEW OF CHANGES TO AGENCY ORGANISATIONAL STRUCTURES

In February 1998 the South Australian Government announced its intention to dispose of its electricity assets and, at the same time, proposed reforms for the South Australian electricity supply industry, including the restructure of the existing government-owned electricity businesses.

To facilitate both the completion of the reform process, and prepare the State's electricity supply industry assets for potential disposal, on 30 June 1998 the Government announced plans for the restructure of the State's electricity supply industry. This included the 'disaggregation' of the electricity businesses, including:

- subdivision of the generation function into three competing businesses;
- creation of a company to manage the existing gas contracts and to trade in gas;
- establishing the transmission function as an autonomous trading entity;
- establishing the distribution and retail functions as separate subsidiary entities.

In June 1999, the *Electricity Corporations (Restructuring and Disposal) Act 1999* was passed by Parliament allowing the long-term lease of the State's distribution, generation, retail and transmission assets.

SIGNIFICANT EVENTS PRIOR TO 1 JULY 2000

Significant events that resulted in changes to the organisational structures and functions of the government-owned electricity entities prior to 1 July 2000 included:

July 1999	ETSA Capital (No 2) Pty Ltd, Distribution Lessor Corporation and Generation Lessor Corporation were established as subsidiaries of the Treasurer.
December 1999	Assets, including those defined as prescribed electricity distribution assets by the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> , were transferred from ETSA Utilities Pty Ltd to the Distribution Lessor Corporation. Prescribed distribution assets held by the Distribution Lessor Corporation were leased to external parties.
February 2000	All references to 'ETSA' in the names of government owned electricity businesses were changed to 'RESI'. The name of ETSA Transmission Corporation was changed to Transmission Lessor Corporation.
March 2000	Shares held by SA Generation Corporation in its subsidiaries (Flinders Power Pty Ltd, Optima Energy Pty Ltd, Synergen Pty Ltd and Terra Gas trader Pty Ltd) were transferred to the Treasurer. SA Generation Corporation, a public corporation established pursuant to the <i>Public Corporations Act 1993</i> , was 'converted' to a Corporations Law company titled Flinders Coal Pty Ltd.

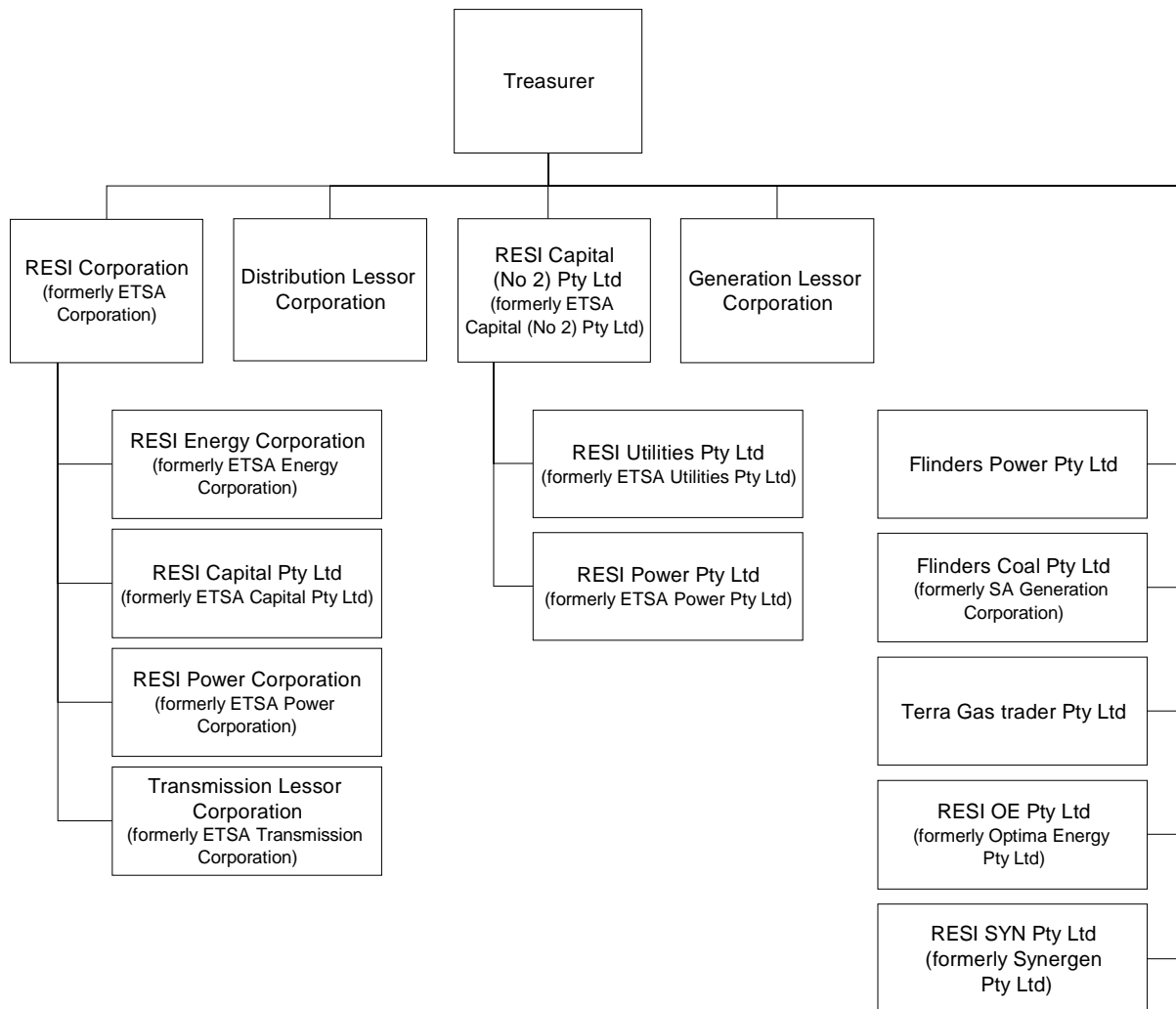
May 2000 Assets, including those defined as prescribed electricity generation assets by the *Electricity Corporations (Restructuring and Disposal) Act 1999*, were transferred from Optima Energy Pty Ltd and Synergen Pty Ltd to the Generation Lessor Corporation.

Prescribed generation assets held by the Generation Lessor Corporation were leased to external parties.

Assets (net of liabilities) of both Optima Energy Pty Ltd and Synergen Pty Ltd were sold.

June 2000 The names of Optima Energy Pty Ltd and Synergen Pty Ltd were changed to RESI OE Pty Ltd and RESI SYN Pty Ltd respectively.

The structure of the government-owned electricity supply industries as at 30 June 2000 was as follows:



CHANGES TO ORGANISATIONAL STRUCTURE AND FUNCTIONS IN 2000-01

August 2000 An agreement was signed with NRG Energy for the disposal of the assets and liabilities of Flinders Power Pty Ltd. Although settlement of the transaction did not occur until 8 September 2000, the benefits and risks associated with the business were transferred as at the date of the agreement ie 3 August 2000

Flinders Coal Pty Ltd was sold.

- September 2000 An agreement was entered into with a consortium comprising Macquarie Bank Limited, Powerlink and ABB for the lease/sale of the ElectraNetSA business on 20 September 2000.

- October 2000 An agreement was entered into with Tarong Gas Trader Pty Ltd for the sale of the Terra Gas trader business on 23 October 2000.

- The name of Flinders Power Pty Ltd was changed to RESI FP Pty Ltd on 6 October 2000.

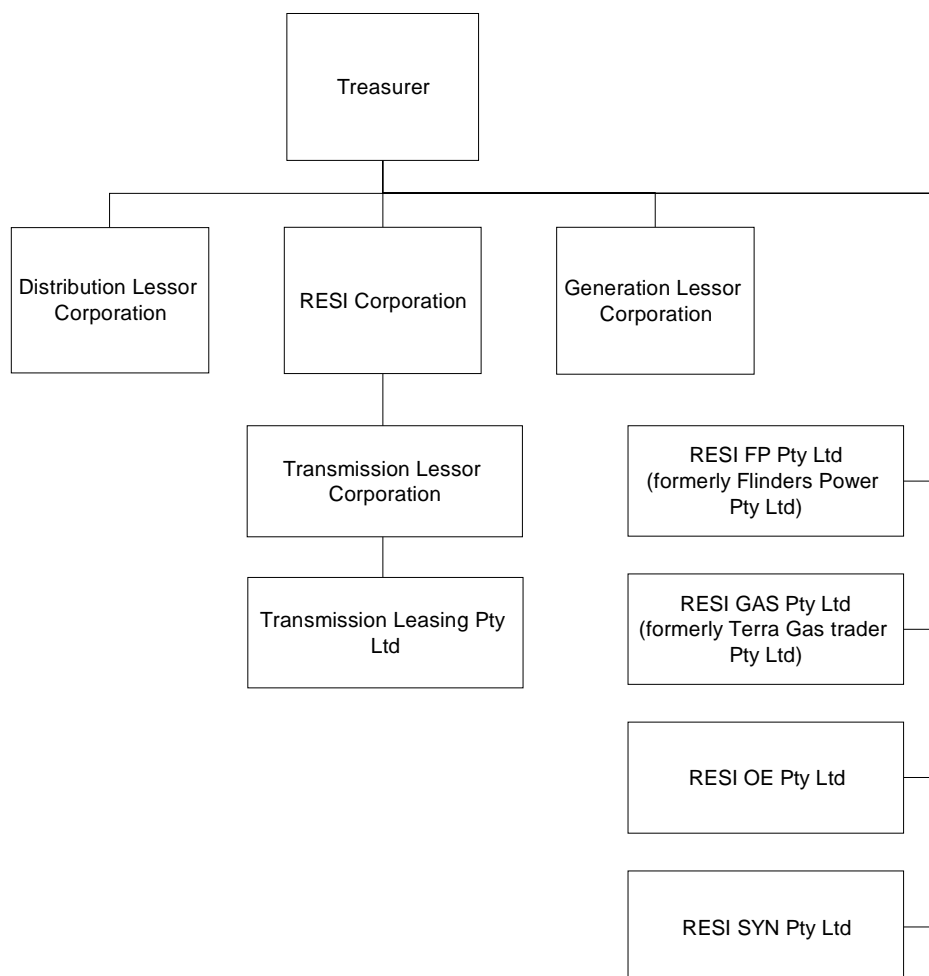
- November 2000 The name of Terra Gas trader Pty Ltd was changed to RESI GAS Pty Ltd on 6 November 2000.

- February 2001 RESI Capital Pty Ltd and RESI Capital (No.2) Pty Ltd were deregistered on 5 February 2001.

- March 2001 RESI Power Corporation and RESI Energy Corporation were dissolved on 29 March 2001.

- June 2001 RESI Utilities Pty Ltd and RESI Power Pty Ltd were deregistered on 27 June 2001.

The structure of government-owned residual electricity entities as at 30 June 2001 was as follows:



FURTHER CHANGES TO ORGANISATIONAL STRUCTURE AND FUNCTIONS IN 2001-02

Rationalisation of Non-Trading Electricity Entities

Audit understands that as part of finalising the electricity business disposal process, the Government proposes to deregister a number of the existing non-trading electricity entities during 2001-02, namely:

- RESI FP Pty Ltd
- RESI GAS Pty Ltd
- RESI OE Pty Ltd
- RESI SYN Pty Ltd

IMPACT OF THE ELECTRICITY BUSINESSES ON THE STATE'S FINANCES

Proceeds to the Treasurer from the Disposal of Electricity Businesses

The disposal of the electricity businesses throughout the year has impacted on the State's finances through the receipt of sale and lease proceeds. These proceeds are, in terms of the *Electricity Corporations (Restructuring and Disposal) Act 1999*, to be used to reduce the level of State Debt. The main component of cash received by the State for the electricity businesses as at 30 June 2001 represents prepaid finance lease rentals relating to the lease of prescribed electricity assets. The following summary shows the proceeds received with respect to each of the businesses, together with a comparison of the book value of the assets (net of liabilities) sold and leased. The proceeds in the table are net of certain costs and exclude proceeds from operating leases.

Entity	Proceeds \$'millions	Book Value of Net Assets (Net Liabilities) \$'millions	Book Profit on Disposal \$'millions
RESI Utilities Pty Ltd	184.4	148.1	36.3
Distribution Lessor Corporation	2 704.3	2 069.6	634.7
RESI Power Pty Ltd	161.7	(5.7)	167.4
RESI OE Pty Ltd	7.5	(2.2)	9.7
RESI SYN Pty Ltd	(0.2)	(2.0)	1.8
Generation Lessor Corporation (Optima Energy and Synergen Pty Ltd)	315.1	116.9	198.2
Flinders Power Pty Ltd	21.3	(13.4)	34.7
Transmission Lessor Corporation	750.9	699.9	51.0
Terra Gas trader Pty Ltd	32.7	19.7	13.0
Generation Lessor Corporation (Flinders Power Pty Ltd)	197.9	104.8	93.1
Total	4 375.6	3 135.7	1 239.9

In addition, proceeds of \$513.5 million were received with respect to future operating lease rentals relating to land and other assets with a book value of \$64.7 million. The lease revenue will be brought to account over the life of the lease.

Further commentary on the impact of the disposal of electricity businesses on the State's finances can be found in my Report 'Electricity Businesses Disposal Process in South Australia: Report by the Auditor-General Pursuant to section 22(2) of the *Electricity Corporations (Restructuring and Disposal) Act 1999* on Relevant Long Term Leases' that was tabled in the Parliament in March 2001.

The Report comprises an introductory Part followed by four other Parts, namely:

- Part 2:** a commentary on the use of the proceeds from the disposals.
- Part 3:** a commentary on the estimated interest savings resulting from the use of the disposal proceeds to retire debt.
- Part 4:** a general commentary on the effect of the disposal on the Public Finances.
- Part 5:** a commentary on the probity of the disposal process.

SPECIFIC COMMENTARY ON GOVERNMENT-OWNED RESIDUAL ELECTRICITY ENTITIES

Specific commentary and financial statements follow for the residual government-owned electricity entities in existence as at 30 June 2001, namely:

- Distribution Lessor Corporation
- Generation Lessor Corporation
- RESI Corporation
- RESI FP Pty Ltd
- RESI GAS Pty Ltd
- RESI OE Pty Ltd
- RESI SYN Pty Ltd
- Transmission Lessor Corporation

DISTRIBUTION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY

Distribution Lessor Corporation (DLC) was established as a subsidiary of the Treasurer in July 1999 pursuant to the Public Corporations (Distribution Lessor Corporation) Regulations 1999.

The functions of DLC include being the lessor under a lease granted in respect of certain prescribed electricity distribution assets transferred to DLC pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*.

SIGNIFICANT FEATURE

Dividends and distributions to the Treasurer for the year were \$28 000 (\$633 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of the Distribution Lessor Corporation.

Scope of Audit

The audit program 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 a specific area of audit attention included the accounting for the lease of the prescribed electricity distribution assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Distribution Lessor 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 Distribution Lessor 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.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from lease of assets	2	108	21
Other revenue	2	1	-
Total Revenue from Ordinary Activities		109	21
EXPENSES FROM ORDINARY ACTIVITIES	3	81	1 348
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		28	(1 327)
Income tax expense relating to ordinary activities		-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		28	(1 327)
PROFIT FROM EXTRAORDINARY ITEM AFTER RELATED INCOME TAX EXPENSE	4	-	634 719
NET PROFIT	11	28	633 392
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		28	633 392

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	5	1 065	-
Receivables	6	115	50
Total Current Assets		1 180	50
NON-CURRENT ASSETS:			
Receivables	6	276 347	277 477
Property, plant and equipment	7	31 943	31 943
Total Non-Current Assets		308 290	309 420
Total Assets		309 470	309 470
CURRENT LIABILITIES:			
Payables	8	69	18
Unearned income	9	52	50
Total Current Liabilities		121	68
NON-CURRENT LIABILITIES:			
Unearned income	9	276 076	276 129
Total Non-Current Liabilities		276 076	276 129
Total Liabilities		276 197	276 197
NET ASSETS		33 273	33 273
EQUITY:			
Contributed equity	10	33 273	33 273
Retained profits	11	-	-
TOTAL EQUITY		33 273	33 273
Contingent Asset	19		
Contingent Liability	20		

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:			
Cash receipts in the course of operations		1	-
Cash payments in the course of operations		(36)	-
Net Cash (used in) Operating Activities	13(b)	(35)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment ⁽¹⁾		-	-
Net Cash provided by Investing Activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash transferred from a related body corporate		1 100	-
Dividends paid ⁽¹⁾	12	-	-
Net Cash provided by Financing Activities		1 100	-
NET INCREASE IN CASH HELD		1 065	-
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		-	-
CASH HELD AT THE END OF THE FINANCIAL YEAR	13(a)	1 065	-

(1) Property plant, and equipment with a written down value of \$2 102 million transferred from RESI Utilities Pty Ltd (formerly ETSA Utilities Ltd) in the period ended 30 June 2000 and dividends paid of \$28 000 in the current period (2000: \$633.392 million) do not represent cash outflows as they are a component of the accounting treatment for the proceeds already received by the Treasurer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Significant Accounting Policies**

(a) **Establishment**

Distribution Lessor Corporation (the Corporation) was established as a body corporate on 29 July 1999 pursuant to the Public Corporations (Distribution Lessor Corporation) Regulations 1999.

Pursuant to Ministerial Transfer Orders, on 12 December 1999 prescribed electricity assets consisting of the distribution network, distribution network land and land and buildings at Angle Park, of RESI Utilities Pty Ltd (formerly ETSA Utilities Pty Ltd) were transferred to the Corporation at book value.

The principal activity of the Corporation is as lessor of the prescribed electricity assets consisting of the distribution network and the land on which it is located.

Note 17 provides further information on the assets transferred, the lease of the prescribed electricity assets, the consideration received and the profit arising from the leases.

(b) **Previous Financial Period**

The previous period is for the period from the date of the Corporation's establishment on 29 July 1999 to 30 June 2000.

(c) **Basis of Accounting**

The financial report is a general purpose financial report and has been prepared on an accrual accounting basis in accordance with applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and is subject to the Treasurer's Instructions and Accounting Policy Statements promulgated by the Treasurer under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where stated.

(d) **Reclassification of Financial Information**

Some of the line items and sub-totals reported in the previous period have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosures' and AAS 36 'Statement of Financial Position'.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the Statement of Financial Performance to Note 11.

A revenue and expense item previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items in Notes 3 and 4.

(e) **Goods and Services Tax**

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

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

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

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

(f) **Revenue Recognition**

Unearned Income

Unearned income arising from fully prepaid operating lease rentals from the lessee, with respect to the network land lease, is amortised to the Statement of Financial Performance on a net present value basis, reflecting the discount rate associated with the prepayment.

(g) **Leases**

(i) *Prescribed Distribution Network Assets*

The distribution network transferred from RESI Utilities Pty Ltd on 12 December 1999 was leased under a finance lease for 200 years, effective 28 January 2000.

Lease rentals were fully prepaid or secured by a payment of a lump sum security by the lessee to the Treasurer. Prepaid lease rentals received in excess of the book value of the distribution network are recognised as profit on the finance lease.

(ii) *Distribution Network Land Assets*

The distribution network land transferred from RESI Utilities Pty Ltd on 12 December 1999 was leased under an operating lease for 200 years, effective 28 January 2000.

Lease rentals were fully prepaid by the lessee to the Treasurer which gives rise to both a receivable from the Treasurer and unearned income in the Corporation.

(iii) Interim Leasing Arrangements

For the period 12 December 1999 to 28 January 2000 the land upon which the network was located was made available to RESI Utilities Pty Ltd under the terms of a Transfer Order made under section 8 of the *Electricity Corporation (Restructuring and Disposal) Act 1999*.

(h) Taxation

The Treasurer of South Australia has issued a determination pursuant to the Schedule to the *Public Corporations Act 1993* whereby the Corporation is not subject to Commonwealth income tax equivalents for the period since incorporation.

(i) Receivables**(i) Treasurer's Clearing Account**

Represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

(ii) Rental receivable from the Treasurer

Receivables from the Treasurer represents amounts owing from the Treasurer with respect to fully prepaid operating lease rentals received by the Treasurer in relation to the lease of the distribution network land assets.

The receivable from the Treasurer is reduced each year to the extent of dividends declared to the Treasurer by the Corporation, arising from the amortisation of the unearned income.

(j) Property, Plant and Equipment

The Corporation has elected to adopt the revised Australian Accounting Standard AAS 38 'Revaluation of Non-Current Assets'.

(i) Transfer

Land and buildings at Angle Park and distribution network land are initially recorded at their book values transferred from RESI Utilities Pty Ltd.

(ii) Revaluations

Land and buildings are independently valued every three years on an existing use basis of valuation and included in the financial statements at the revalued amounts.

(iii) 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.

(vi) Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight line method over their estimated useful lives.

(k) Unearned Income

Unearned income represents fully prepaid operating lease rentals received by the Treasurer in relation to the lease of network land.

(l) Financial Instruments

Monetary financial assets and financial liabilities that were not readily traded in an organised financial market were valued at the present value of future cash flows. The carrying amounts of cash deposits, receivables and payables approximate net fair value.

(m) Rounding

All values expressed in the Notes are to the nearest thousand dollars unless otherwise specified.

2.	Revenue from Ordinary Activities			2001	2000
	Revenue from lease of assets:	Note		\$'000	\$'000
	Amortisation of deferred lease rental income			51	21
	Non-prescribed assets lease rental income			57	-
				108	21
	Other revenue:				
	Interest received or due and receivable			1	-
				109	21
3.	Expenses from Ordinary Activities				
	Audit fees	16		3	10
	Consultants - Accounting fees			15	7
	- Legal fees			21	1
	Insurance			15	-
	Management fees			25	-
	Revaluation decrement on Angel Park land and buildings			-	1 330
	Other expenses			2	-
				81	1 348
4.	Extraordinary Item				
	Profit on lease of electricity distribution assets	17		-	634 719
				-	634 719

Electricity Supply Industry

5. Cash Assets		2001	2000
	Note	\$'000	\$'000
Cash at bank	13(a)	<u>1 065</u>	-
		<u>1 065</u>	-
6. Receivables			
Current:			
Trade debtors		62	-
Other debtors		1	-
Land rental receivable from the Treasurer		<u>52</u>	50
		<u>115</u>	50
Non-Current:			
Land rental receivable from the Treasurer		276 076	276 129
Amounts receivable from the Treasurer ⁽¹⁾	13(c)	<u>271</u>	<u>1 348</u>
		<u>276 347</u>	<u>277 477</u>

(1) Amounts receivable from the Treasurer represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

7. Property, Plant and Equipment			
Network land and easements		26 943	26 943
Angle Park land		3 407	3 407
Angle Park buildings		<u>1 593</u>	<u>1 593</u>
		<u>31 943</u>	<u>31 943</u>

During the previous period prescribed electricity assets with a written down book value of \$2.096 billion were transferred from RESI Utilities Pty Ltd at written down book value as at the date of transfer. With the exception of land these assets were subsequently leased and have been accounted for as a finance lease and are not included on the Statement of Financial Position as all rights, obligations and risks have been transferred to the lessee. All lease rentals relating to the leases were prepaid and receipted by the Treasurer.

Property, plant and equipment transferred from RESI Utilities Pty Ltd is based on independent or directors valuations as at 30 June 1999.

Angle Park land and buildings have been revalued as at 30 June 2000, based on Valuer-General's advice.

Reconciliations		2001	2000
Network Land and Easements:		\$'000	\$'000
Carrying amount at 1 July		26 943	-
Additions		-	26 943
Disposals		-	-
Revaluation increment		-	-
Carrying Amount at 30 June		<u>26 943</u>	<u>26 943</u>
Land and Buildings that is not a Prescribed Electricity Asset:			
Carrying amount at 1 July		5 000	-
Additions		-	6 330
Disposals		-	-
Revaluation increment/decrement		-	(1 330)
Carrying Amount at 30 June		<u>5 000</u>	<u>5 000</u>

8. Payables			
Current:			
Trade creditors		17	18
Other creditors and accruals		<u>52</u>	-
		<u>69</u>	<u>18</u>

9. Unearned Income			
Total prepaid lease rentals		276 200	276 200
Less: Accumulated amortisation		<u>72</u>	<u>21</u>
		<u>276 128</u>	<u>276 179</u>
Current		52	50
Non-current		<u>276 076</u>	<u>276 129</u>
		<u>276 128</u>	<u>276 179</u>

Unearned income represents the fully prepaid lease rentals received on the operating lease of the network land. Unearned income is being amortised over the life of the lease (200 years) from 28 January 2000, on a net present value basis, reflecting the discount rate associated with the prepayment.

10. Contributed Equity			
Capital contribution by the Treasurer		33 273	33 273

Represents the book value of land and building assets transferred to the Corporation from RESI Utilities Pty Ltd that do not form part of the distribution network finance lease.

11.	Retained Profits		2001	2000
		Note	\$'000	\$'000
	Retained profits at 1 July		-	-
	Net profit		28	633 392
	Dividends	12	(28)	(633 392)
	Retained Profits at 30 June		-	-
<hr/>				
12.	Dividends			
	Special dividend and distribution		28	-
	Ordinary dividend		-	633 392
			28	633 392
<hr/>				

Dividends owing to the Treasurer in the current and prior year were settled against the Treasurer's receivables.

13. **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. 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 at bank	5	1 065	-
<hr/>			
(b) Reconciliation of Profit (Loss) from Ordinary Activities after Related Income Tax Expense to Net Cash (used in) Operating Activities			
Profit (Loss) from ordinary activities after related income tax expense		28	(1 327)
Add (Less): Non-cash items:			
Amortisation of deferred lease rental income		(51)	(21)
Revaluation decrement on Angle Park land and buildings		-	1 330
Net Cash (used in) Operating Activities before change in Assets and Liabilities		(23)	(18)
<hr/>			
Add (Less): Changes in assets and liabilities:			
(Increase) Decrease in trade debtors		(63)	-
Increase in payables		51	18
Net Cash (used in) Operating Activities		(35)	-
<hr/>			

(c) **Settlement of Amounts with Treasurer**

As part of the sale and wind up of residual balances in the Corporation certain amounts owing between related entities were set off and did not result in cash flows. These amounts are as follows:

Balance at 1 July		1 348	-
Consideration received by the Treasurer for lease of the distribution network		-	2 704 300
Payable to RESI Utilities Pty Ltd for net assets transferred		-	(2 102 854)
Reclassification of assets transferred as capital contributions		-	33 273
Other assets transferred through Treasurer's Clearing Account	10	-	1 348
Cash transferred from RESI GAS Pty Ltd		(1 100)	-
Dividends (excluding amortisation income) ⁽ⁱ⁾		23	(634 719)
	6	271	1 348
<hr/>			

(i) Total dividends in the current period was \$28 000 (\$633.392 million) (refer Note 12). The difference between the total and the amount settled through the Treasurer's Clearing Account (above), represents the amortisation amount which was settled through the Rental Receivable from the Treasurer.

14. **Directors' Remuneration**

All directors are employees of the Department of Treasury and Finance. Accordingly in accordance with government guidelines no director of the Corporation received any remuneration in respect of their duties as director of the Corporation.

15. **Employees' Remuneration**

The Corporation is managed by officers of the Department of Treasury and Finance. Consequently there are no direct employees or employee remuneration for the Corporation.

16. **Auditors' Remuneration**

Amounts received or due and receivable by the auditors for auditing the accounts of the Corporation

2001	2000
\$'000	\$'000
3	10

The auditors provided no other services to the Corporation in the current or prior year.

17. **Assets Transferred**

By way of Ministerial Transfer Orders No 7 and 8 made pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999* by the Treasurer of South Australia, and Memorandum of Transfer of the land comprised in Certificate of Title Register Book Volume 5793 Folio 617, the following assets were transferred from RESI Utilities Pty Ltd to the Corporation.

17. Assets Transferred (continued)	2001	2000
	\$'000	\$'000
Distribution network	-	2 069 581
Distribution network land	-	26 493
Land and buildings (Angle Park) that is not a prescribed electricity asset	-	6 330
	<hr/>	<hr/>
	-	2 102 404

In the year ended 30 June 2000 fully prepaid finance lease rentals of \$2.7043 billion were received with respect to the lease of the distribution assets, representing a profit on the lease of \$634.719 million.

In the year ended 30 June 2000 fully prepaid operating lease rentals of \$276.2 million were received with respect to the lease of the distribution network land. The prepaid lease rentals were treated as unearned income.

18. Related Party Transactions

Directors

The names of persons who were directors of the Corporation at any time during the financial year are as follows:

Luigi Salvatore DeGennaro
 Michael George Philipson
 John Thomas Hill (appointed 12 December 2000)
 Timothy John Spencer (resigned 12 December 2000)

Transactions of Directors and Director Related Entities

There were no transactions during the year with directors and their director related entities.

In accordance with government guidelines no director of the Corporation received any remuneration in respect of their duties as director of the Corporation.

Loans to Directors

There have been no loans advanced to directors of the Corporation during the financial year.

The total of loans outstanding to directors at year end is nil.

Other Related Entities

The Corporation has dealings with other government instrumentalities. All dealings are in the ordinary course of business and on normal trading terms.

Controlling Entity

The Corporation's ultimate Australian parent entity is the Treasurer of the State of South Australia, as a body corporate.

19. Contingent Asset

On 28 January 2000 the Corporation leased its distribution network under a 200 year finance lease. The lease agreement makes a provision for the potential sale of these assets in the future, to the lessee, if the Corporation obtains lawful right to sell its right, title and interest in the assets. If this right is not obtained or the lessee's option to purchase is not exercised the distribution network and distribution network land will be returned to the Corporation or its nominee at the end of the lease term.

In the event that the lessees default under their respective leases, they are obliged to return the leased asset to the Corporation. Although at that time an asset will be recognised, no amount has been recognised on the Statement of Financial Position as the likelihood of default eventuating is remote.

Under the terms of the Distribution Network Land Lease and Distribution Network Lease certain costs of the Corporation that are associated with the operation of the Distribution Network Land and Distribution Network are able to be reimbursed from the lessees or on charged directly to the lessees.

As at the date of this report no such amount for reimbursement from the lessees exists and therefore has not been brought to account in the financial statements.

20. Contingent Liability

In the unlikely event that the Corporation defaults under the lease with respect to its legal entitlement to grant the leases, the Corporation is obliged to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were discharged by the prepaid rents.

No amount has been recognised as the likelihood of the circumstances of the Corporation default eventuating are remote.

Under the terms of the distribution network leases the lessee can elect to own new assets constructed during the term of the lease which qualify as 'qualifying assets' or 'geographical extensions' as well as the land on which those assets are located. Qualifying assets are a discrete replacement, modification, alteration, addition or renewal to the network which is outside the ordinary course of maintenance, modification, alteration or renewal and, at the time effected, cost greater than a 'Qualifying Threshold' of \$2 million. Geographical extensions are extensions beyond the outer extremities of the distribution network as at the date the lease becomes effective.

At the expiry of the lease, qualifying assets will be automatically transferred and vested in the Corporation or a body nominated by the Corporation for a price equal to the regulatory value of the qualifying assets as at the lease end date. Geographical extensions receive the same treatment if the Corporation so elects, but not otherwise.

21. Segment Information

The Corporation operates as lessor of electricity distribution assets in South Australia.

22. Economic Dependency

The Corporation is an instrumentality of the Crown under the *Crown Proceedings Act 1992*. Accordingly, where a final judgement is given against it, a Minister or agency of the Crown may be directed by the Governor to satisfy that judgement. Such a direction constitutes sufficient authority for the appropriation of the money necessary to satisfy the judgement from the General Revenue of the State of South Australia or from the funds of the Corporation. To this extent the Corporation has the benefit of an implicit guarantee from the State.

23. Events Subsequent to Balance Date

No event has arisen since 30 June 2001 that would be likely to materially affect the operations or the state of affairs of the Corporation.

GENERATION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY

Generation Lessor Corporation (GLC) was established as a subsidiary of the Treasurer in July 1999 pursuant to the Public Corporations (Generation Lessor Corporation) Regulations 1999.

The functions of GLC include being the lessor under a lease granted in respect of certain prescribed electricity generation assets transferred to GLC pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*.

SIGNIFICANT FEATURES

Prescribed electricity generation assets of \$104.8 million were transferred to GLC from RESI FP Pty Ltd (formerly Flinders Power Pty Ltd).

Non-prescribed electricity generation assets of \$21.9 million were transferred to GLC from RESI FP Pty Ltd and RESI OE Pty Ltd.

Prepaid finance lease rentals from the lease of the prescribed electricity generation assets (plant and land) to external parties were \$197.9 million.

Prepaid operating lease rentals from the lease of the Leigh Creek Township and interest in the Leigh Creek Railway were \$81.2 million.

Dividends and distributions to the Treasurer for the year were \$91.7 million (\$198.2 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993*, the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of the Generation Lessor Corporation.

Scope of Audit

The audit program 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 a specific area of audit attention included the accounting for the transfer and lease of the prescribed electricity generation assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Generation Lessor 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 Generation Lessor 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

Transfer of Electricity Generation Assets

On 3 August 2000, the South Australian Treasurer signed an agreement with external parties (NRG Energy) for the lease and transfer of the assets and liabilities of RESI FP Pty Ltd. Although settlement of these transactions did not take place until 8 September 2000, the benefits and risks associated with the business were transferred as at the date of the agreement, ie 3 August 2000.

To give effect to the agreement, prescribed electricity generation assets as defined by the *Electricity Corporations (Restructuring and Disposal) Act 1999*, together with the Leigh Creek Township and the lease interest in the Leigh Creek Railway were transferred from RESI FP Pty Ltd to GLC.

These transfers were made through Ministerial Transfer Orders pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999* and are summarised as follows:

	2001
	\$'000
Prescribed electricity generation plant	104 823
Prescribed electricity generation land	6
Leigh Creek Township	14 877
Lease interest in the Leigh Creek Railway	5 147
	<u>124 853</u>

In addition, during the year by way of Ministerial Transfer Orders made pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*, non-prescribed electricity assets with a total book value of \$1.9 million were transferred from RESI FP Pty Ltd and RESI OE Pty Ltd to GLC.

The following table summarises the assets transferred to GLC during the year.

	RESI FP Pty Ltd \$'000	RESI OE Pty Ltd \$'000	Total \$'000
Prescribed Electricity Generation Assets:			
Generation plant	104 823	-	104 823
Generation land	6	-	6
	<u>104 829</u>	<u>-</u>	<u>104 829</u>
Non-Prescribed Electricity Generation Assets:			
Leigh Creek Township	14 877	-	14 877
Lease interest in the Leigh Creek Railway	5 147	-	5 147
Other land	7	1 881	1 888
	<u>20 031</u>	<u>1 881</u>	<u>21 912</u>
Total	<u>124 860</u>	<u>1 881</u>	<u>126 741</u>

Lease of Electricity Generation Assets

Finance Lease

Pursuant to a lease agreement (relating to the prescribed electricity generating plant and land) prepaid finance lease rentals of \$197.9 were received by the State resulting in an accounting profit on the lease of \$93.1 million. This profit was determined as follows:

	Prepaid Lease Rentals \$'000	Book Value on Transfer \$'000	Accounting Profit on the Lease \$'000
Generation plant	192 943	104 823	88 120
Generation land	4 986	6	4 980
	<u>197 929</u>	<u>104 829</u>	<u>93 100</u>

Operating Lease

Pursuant to lease agreements (relating to the Leigh Creek Township and interest in the Leigh Creek Railway) prepaid operating lease rentals of \$81.2 million were received by the State. These prepaid lease rentals are amortised on a net present value basis over the term of the lease.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenue from lease of assets	2	1 299	-
Other revenue	2	28	-
Total Revenue from Ordinary Activities		1 327	-
EXPENSES FROM ORDINARY ACTIVITIES:			
Property management	3	16	-
Other expenses	3	2 723	19
Total Expenses from Ordinary Activities		2 739	19
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		(1 412)	(19)
Income tax expense relating to ordinary activities		-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		(1 412)	(19)
Profit from extraordinary item after related income tax expense	4	93 100	198 228
NET PROFIT	11	91 688	198 209
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		91 688	198 209

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	5	1 080	-
Receivables	6	1 571	19
Total Current Assets		2 651	19
NON-CURRENT ASSETS:			
Receivables	6	78 318	-
Property, plant and equipment	7	23 821	4 515
Total Non-Current Assets		102 139	4 515
Total Assets		104 790	4 534
CURRENT LIABILITIES:			
Payables	8	128	19
Unearned income	9	1 547	-
Total Current Liabilities		1 675	19
NON-CURRENT LIABILITIES:			
Payables	8	258	-
Unearned income	9	78 318	-
Total Non-Current Liabilities		78 576	-
Total Liabilities		80 251	19
NET ASSETS		24 539	4 515
EQUITY:			
Contributed equity	10	24 539	4 515
Retained profits	11	-	-
TOTAL EQUITY		24 539	4 515
Contingent Asset	19		
Contingent Liability	20		

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:			
Cash receipts in the course of operations		27 923	-
Cash payments in the course of operations		(27 962)	-
Interest received		19	-
Net Cash used in Operating Activities	14(b)	(20)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property plant and equipment ^{(1),(2)}		-	-
Net Cash provided by Investing Activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash transferred from a related body corporate		1 100	-
Dividends paid ^{(1),(2)}	12	-	-
Net Cash provided by Financing Activities		1 100	-
NET INCREASE (DECREASE) IN CASH HELD		1 080	-
CASH HELD AT THE BEGINNING OF THE FINANCIAL YEAR		-	-
CASH HELD AT THE END OF THE FINANCIAL YEAR	14(a)	1 080	-

(1) Property, plant and equipment with a written down value of \$121.2 million transferred from RESI OE Pty Ltd (formerly Optima Energy Pty Ltd) and RESI SYN Pty Ltd (formerly Synergen Pty Ltd) and dividends paid of \$198.209 million in the period ended 30 June 2000 do not represent a cash outflow as they are a component of the accounting treatment for the proceeds already received by the Treasurer.

(2) Property, plant and equipment with a written down value of \$126.741 million transferred from RESI FP Pty Ltd (formerly Flinders Power Pty Ltd) and RESI OE Pty Ltd and dividends paid of \$91.688 million in the period ended 30 June 2001 do not represent a cash outflow as they are a component of the accounting treatment for the proceeds already received by the Treasurer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Significant Accounting Policies****Establishment**

Generation Lessor Corporation (the Corporation) was established as a body corporate on 29 July 1999 pursuant to the Public Corporations (Generation Lessor Corporation) Regulations 1999.

Pursuant to Ministerial Transfer Orders, on 6 June 2000 all the prescribed electricity assets consisting of generating plant, the land on which generating plant is located, and certain other land of RESI OE Pty Ltd (formerly Optima Energy Pty Ltd) and RESI SYN Pty Ltd (formerly Synergen Pty Ltd) were transferred to the Corporation at book value.

Pursuant to Ministerial Transfer Orders, on 8 September 2000 all the prescribed electricity assets consisting of generating plant, the land on which generating plant is located, certain other land, as well as the Leigh Creek Township and a lease of the Leigh Creek Railway, of RESI FP Pty Ltd (formerly Flinders Power Pty Ltd) were transferred to the Corporation at book value.

The principal activity of the Corporation is as lessor of the prescribed electricity assets which are in the nature of generation plant or the land upon which the generation plant is located, as well as certain other assets that are not prescribed electricity assets including land at Torrens Island and Port Augusta associated with generation operations at that location and the Leigh Creek Township.

Note 17 provides further information on the assets transferred, the lease of the prescribed electricity assets, the consideration received and the profit arising from the leases.

Previous Financial Period

The previous period is for the period from the date of the Corporation's establishment on 29 July 1999 to 30 June 2000.

Basis of Accounting

The financial report is a general purpose financial report and was prepared on an accrual accounting basis in accordance with applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and is subject to the Treasurer's Instructions and Accounting Policy Statements promulgated by the Treasurer under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where stated.

Reclassification of Financial Information

Some line items and sub-totals reported in the previous period have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AAS 1 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosures' and AAS 36 'Statement of Financial Position'.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the Statement of Financial Performance to Note 11.

A revenue item previously disclosed as an abnormal has been reclassified and is now disclosed as an individually significant item in Note 4.

Goods and Services Tax

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

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

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

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

Revenue Recognition

(i) **Unearned Income**
Unearned income arising from fully prepaid operating lease rentals from the lessee, with respect to the Leigh Creek Township and Railway assets, is amortised on a net present value basis, reflecting the discount rate associated with the prepayment.

Leases:

(i) **Prescribed Electricity Generation Assets**
All prescribed electricity assets consisting of generating plant and the land on which the generating plant is located (which had been transferred from RESI SYN Pty Ltd and RESI OE Pty Ltd on 6 June 2000) were leased under finance leases for 100 years, effective 6 June 2000.

All prescribed electricity assets consisting of generating plant and the land on which the generating plant is located (which had been transferred from RESI FP Pty Ltd on 8 September 2000) were leased under finance leases for 100 years, effective 8 September 2000.

Lease rentals were fully prepaid by each lessee to the Treasurer. Prepaid lease rentals received in excess of the book value of the prescribed electricity assets are recognised as profit on the finance lease.

(ii) **Other Assets**
Other land transferred from RESI OE Pty Ltd on 6 June 2000 was leased under an operating lease for 20 years effective 6 June 2000.

Electricity Supply Industry

(ii) Other Assets (continued)

The Leigh Creek Township transferred from RESI FP Pty Ltd on 8 September 2000 was leased under an operating lease of 20 years, effective 8 September 2000. The Leigh Creek Railway leased to the Corporation by the Minister for Transport and Urban Planning, was sub-leased under an operating lease of 20 years, effective 8 September 2000.

Taxation

The Treasurer of South Australia has issued a determination pursuant to the Schedule to the *Public Corporations Act 1993* whereby the Corporation is not subject to Commonwealth income tax equivalents for the period since incorporation.

Receivables

(i) Treasurer's Clearing Account

Represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

(ii) Rental Receivable from the Treasurer

Receivable from the Treasurer represents amounts owing from the Treasurer with respect to fully prepaid operating lease rentals received by the Treasurer in relation to the lease of the Leigh Creek Township and sub-lease of the Leigh Creek Railway.

The receivable from the Treasurer is reduced each year to the extent of dividends declared to the Treasurer by the Corporation, arising from the amortisation of the unearned income.

Property, Plant and Equipment

The Corporation has elected to adopt the revised Australian Accounting Standard AAS 38 'Revaluation of Non-current Assets'.

Transfer

Land and plant and equipment, including buildings and leasehold property, transferred from RESI FP Pty Ltd, RESI SYN Pty Ltd and RESI OE Pty Ltd have been initially recorded at book values.

Revaluations

Land and buildings are independently valued every three years on an existing use basis of valuation and included in the financial report at the revalued amounts or directors valuation.

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.

Depreciation - Leigh Creek Township and Railway

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated on the book value as at the date of transfer to the Corporation, using the straight line method over their estimated useful lives (20 years). The method of depreciation is reviewed annually.

Unearned Income

Unearned income represents fully prepaid operating lease rentals received by the Treasurer in relation to the lease of Leigh Creek Township and sub-lease of the Leigh Creek Railway.

Financial Instruments

Monetary financial assets and financial liabilities that were not readily traded in an organised financial market were valued at the present value of future cash flows. The carrying amounts of cash deposits, receivables and payables approximate net fair value.

Rounding

All values expressed in the Notes are to the nearest thousand dollars unless otherwise specified.

2. Revenue from Ordinary Activities		2001	2000
Revenue from lease of assets:	Note	\$'000	\$'000
Amortisation of deferred lease rental income		1 299	-
		<u>1 299</u>	<u>-</u>
Other revenue:			
Aquaculture rental income		6	-
Option agreement fee income		3	-
Interest received or due and receivable		19	-
		<u>28</u>	<u>-</u>
		<u>1 327</u>	<u>-</u>
3. Expenses from Ordinary Activities			
Property management:			
Grounds maintenance		9	-
Rates and charges		7	-
		<u>16</u>	<u>-</u>
Other expenses:			
Audit fees	13	3	10
Consultants - Accounting fees		7	9
- Legal fees		65	-
- Valuer's fees		3	-
Depreciation - Leigh Creek Railway	7	236	-
- Leigh Creek Township	7	682	-
Insurance fees		15	-
Management fees		24	-
Net revaluation decrement of land	7	1 688	-
		<u>2 723</u>	19
		<u>2 739</u>	19

4. Extraordinary Item		2001	2000
	Note	\$'000	\$'000
Profit on lease of electricity generation assets	17	93 100	198 228
5. Cash Assets			
Cash at bank	14(a)	1 080	-
6. Receivables			
Current:			
Trade debtors		23	-
Other debtors		1	-
Rental receivable from the Treasurer		1 547	-
Amounts receivable from the Treasurer ⁽¹⁾		-	19
		1 571	19
Non-Current:			
Rental receivable from the Treasurer		78 318	-

(1) Amounts receivable from the Treasurer represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

7. Property, Plant and Equipment			
Non-generation land and easements leased:			
- At cost		4 315	4 315
- At valuation		-	-
		4 315	4 315
Non-generation land and buildings not leased:			
- At cost		200	200
- At valuation		200	-
		400	200
Leigh Creek Railway Infrastructure:			
- At cost		6 256	-
- Accumulated depreciation		(1 345)	-
		4 911	-
Leigh Creek Township:			
Land and Buildings			
- At cost		18 320	-
- Accumulated depreciation		(5 010)	-
		13 310	-
Airport Infrastructure:			
- At cost		943	-
- Accumulated depreciation		(282)	-
		661	-
Furniture, Fixtures and Fittings:			
- At cost		21	-
- Accumulated depreciation		(9)	-
		12	-
Plant and Equipment:			
- At cost		285	-
- Accumulated depreciation		(73)	-
		212	-
Total Leigh Creek Township:			
- At cost		19 569	-
- Accumulated depreciation		(5 374)	-
		14 195	-
Total Property, Plant and Equipment		23 821	4 515

Reconciliations

Non-generation land and easements leased:			
Carrying amount at beginning of year		4 315	-
Additions		-	4 315
Disposals		-	-
Revaluation increment		-	-
Carrying amount at end of year		4 315	4 315
Non-generation land and buildings not leased:			
Carrying amount at beginning of year		200	-
Additions		1 888	200
Disposals		-	-
Revaluation increment/decrement		(1 688)	-
Carrying amount at end of year		400	200
Leigh Creek Railway Infrastructure:			
Carrying amount at beginning of year		-	-
Additions		5 147	-
Disposals		-	-
Revaluation increment		-	-
Depreciation		(236)	-
Carrying amount at end of year		4 911	-

Electricity Supply Industry

Reconciliations (continued)			2001	2000
Leigh Creek Township:		Note	\$'000	\$'000
Land and Buildings:				
	Carrying amount at beginning of year		-	-
	Additions		13 949	-
	Disposals		-	-
	Revaluation increment		-	-
	Depreciation		(639)	-
	Carrying amount at end of year		13 310	-
Airport Infrastructure:				
	Carrying amount at beginning of year		-	-
	Additions		693	-
	Disposals		-	-
	Revaluation increment		-	-
	Depreciation		(32)	-
	Carrying amount at end of year		661	-
Furniture, Fixtures and Fittings:				
	Carrying amount at beginning of year		-	-
	Additions		13	-
	Disposals		-	-
	Revaluation increment		-	-
	Depreciation		(1)	-
	Carrying amount at end of year		12	-
Plant and Equipment:				
	Carrying amount at beginning of year		-	-
	Additions		222	-
	Disposals		-	-
	Revaluation increment		-	-
	Depreciation		(10)	-
	Carrying amount at end of year		212	-
Total Leigh Creek Township:				
	Carrying amount at beginning of year		-	-
	Additions		14 877	-
	Disposals		-	-
	Revaluation increment		-	-
	Depreciation		(682)	-
	Carrying amount at end of year		14 195	-

8. Payables

Current:				
	Trade creditors		76	-
	Other creditors and accruals		52	19
			128	19
Non-Current:				
	Amounts payable to the Treasurer ⁽¹⁾	14(c)	258	-

(1) Amounts payable to the Treasurer represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

9. Unearned Income

Total prepaid lease rentals			81 164	-
Less: Accumulated amortisation			(1 299)	-
			79 865	-
Current			1 547	-
Non-current			78 318	-
			79 865	-

Unearned income represents the fully prepaid lease rentals received on the operating lease of the Leigh Creek Township and sub-lease of the Leigh Creek Railway. Unearned income is being amortised over the life of the lease (20 years) from 8 September 2000, on a net present value basis, reflecting the discount rate associated with the prepayment.

10. Contributed Equity

			2001	2000
Capital contribution by the Treasurer:			\$'000	\$'000
	Balance at the beginning of the year		4 515	-
	Capital contributed during the year ⁽¹⁾		20 024	4 515
	Balance at end of the year		24 539	4 515

(1) Represents:
For the year ended 30 June 2001, the book value of the Leigh Creek Township and the interest in the Leigh Creek Railway, transferred to the Corporation from RESI FP Pty Ltd; and

For the year ended 30 June 2000, the book value of the land assets subject to operating leases transferred to the Corporation from RESI OE Pty Ltd, as well as land purchased from the Commonwealth of Australia, that do not form part of the electricity generation prescribed asset finance leases.

11.	Retained Profits		2001	2000
		Note	\$'000	\$'000
	Retained profits at beginning of the year		-	-
	Net profit		91 688	198 209
	Dividend	12	(91 688)	(198 209)
	Retained profits at end of the year		<u>-</u>	<u>-</u>
12.	Dividends			
	Special dividend and distribution		91 688	-
	Ordinary dividend		-	198 209
			91 688	198 209

Dividends owing to the Treasurer in the current and prior year were settled against the Treasurer's receivables and payables.

13.	Auditors' Remuneration			
	Amounts received or due and receivable by the auditors for auditing of the Corporation. The auditors provided no other services to the Corporation in the current or prior year.		3	10

14.	Notes to the Statement of Cash Flows			
	(a) Reconciliation of Cash			
	For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank. 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 at bank	5	1 080	-
	(b) Reconciliation of Profit (Loss) from Ordinary Activities after Related Income Tax to Net Cash provided by Operating Activities:			
	Profit (Loss) from ordinary activities after related income tax expense		(1 412)	(19)
	<i>Add (Less): Non-cash items:</i>			
	Amortisation of deferred lease rental income		(1 299)	-
	Depreciation		918	-
	Net revaluation decrement of various land		1 688	-
	Net Cash used in Operating Activities before change in Assets and Liabilities		(105)	(19)
	<i>Add (Less): Changes in assets and liabilities:</i>			
	(Increase) Decrease in trade debtors		(24)	-
	Increase in payables		109	19
	Net Cash used in Operating Activities		(20)	-
	(c) Settlement of Amounts with Treasurer			
	As part of the sale and wind up of residual balances in the Corporation certain amounts owing between related entities were set off and did not result in cash flows. These amounts are as follows:			
	Balance at the beginning of the year		-	-
	Consideration received by the Treasurer for lease of the RESI FP Pty Ltd assets		197 929	-
	Consideration received by the Treasurer for lease of the RESI OE Pty Ltd assets		-	281 044
	Consideration received by the Treasurer for lease of the RESI SYN Pty Ltd assets		-	34 098
	Payable to RESI FP Pty Ltd for net assets transferred		(124 861)	-
	Payable to RESI OE Pty Ltd for net assets transferred		-	(102 620)
	Payable to RESI SYN Pty Ltd for net assets transferred		-	(18 609)
	Reclassification of assets transferred as capital contributions	10	20 024	4 515
	Land transferred at nil consideration		(1 881)	(200)
	Other assets transferred through Treasurer's Clearing Account		20	(19)
	Cash transferred from RESI GAS Pty Ltd		(1 100)	-
	Dividends paid (excluding amortisation income) ⁽¹⁾		(90 389)	(198 209)
		8	(258)	-

(1) Total dividends in the current period is \$91.688 million (2000: \$198.209 million) (refer Note 12). The difference between the total and the amount settled through the Treasurer's Clearing Account (above), represents the amortisation amount and was accounted for through the Rental Receivable from the Treasurer.

15.	Directors' Remuneration	
	All Directors are employees of the Department of Treasury and Finance. Accordingly in accordance with Government guidelines no Director of the Corporation received any remuneration in respect of their duties as director of the Corporation.	

16.	Employees' Remuneration	
	The Corporation is managed by officers of the Department of Treasury and Finance. Consequently there are no direct employees or employee remuneration for the Corporation.	

17.	Assets Transferred	
	By way of Ministerial Transfer Orders pursuant to the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> by the Treasurer of South Australia, the following assets were transferred to the Corporation from RESI OE Pty Ltd (formerly Optima Energy Pty Ltd), RESI SYN Pty Ltd (formerly Synergen Pty Ltd) and RESI FP Pty Ltd (formerly Flinders Power Pty Ltd) at book value.	

17. Assets Transferred (continued)	RESI FP	RESI OE	2001
	Pty Ltd	Pty Ltd	Total
	\$'000	\$'000	\$'000
Generation plant	104 823	-	104 823
Land on which is located generation plant	6	-	6
Other land	7	1 881	1 888
Leigh Creek Township and lease interest in the Leigh Creek Railway	20 024	-	20 024
	<u>124 860</u>	<u>1 881</u>	<u>126 741</u>

Fully prepaid finance lease rentals of \$192.94 million were received with respect to the lease of the generation plant assets in the period ending 30 June 2001 resulting in a profit on the leases of \$88.12 million.

Fully prepaid finance lease rentals of \$4.99 million were received with respect to the lease of the land on which is located generating plant in the period ending 30 June 2001 resulting in a profit on the leases of \$4.98 million.

Leigh Creek Township and the interest in the Leigh Creek Railway transferred from RESI FP Pty Ltd are subject to an operating lease.

Other land transferred from RESI FP Pty Ltd and RESI OE Pty Ltd is non-electricity land and is earmarked for transfer to the Minister for Primary Industries and Resources.

	RESI OE	RESI SYN	2000
	Pty Ltd	Pty Ltd	Total
	\$'000	\$'000	\$'000
Generation plant	96 381	18 036	114 417
Land on which is located generation plant	1 923	573	2 496
Other land	4 315	-	4 315
	<u>102 619</u>	<u>18 609</u>	<u>121 228</u>

Fully prepaid finance lease rentals of \$314.5 million were received with respect to the lease of the generation plant assets in the period ending 30 June 2000, resulting in a profit on the leases of \$200.1 million.

Fully prepaid finance lease rentals of \$0.6 million were received with respect to the lease of the land on which is located generating plant in the period ending 30 June 2001, resulting in a loss on the leases of \$1.9 million.

Other land transferred from RESI OE Pty Ltd is subject to an operating lease.

18. Related Party Transactions

Directors

The names of persons who were directors of Generation Lessor Corporation at any time during the financial year are as follows:

Luigi Salvatore DeGennaro
 Michael George Philipson
 John Thomas Hill (appointed 12 December 2000)
 Timothy John Spencer (resigned 12 December 2000)

Transactions of Directors and Director Related Entities

There were no transactions during the year with directors or their director related entities.

In accordance with Government guidelines no director of the Corporation received any remuneration in respect of their duties as director of the Corporation.

Loans to Directors

There have been no loans advanced to directors of the Corporation during the financial year.

Total of loans outstanding at year end is nil.

Other Related Entities

The Corporation has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal commercial trading terms.

Controlling Entity

The Corporation's ultimate Australian parent entity is the Treasurer of the State of South Australia, as a body Corporate.

19. Contingent Asset

The various lease agreements make provision for the potential sale of these assets in the future, to the lessee, if the Corporation obtains lawful right to sell its right, title and interest in the assets.

Although at that time an asset will be recognised, no amount has been recognised on the Statement of Financial Position as the realisation of the benefits of this asset is dependent upon a qualifying event occurring.

In the event that the lessees default under their respective leases, they are obliged to return the asset to the Corporation. Although at that time an asset will be recognised, no amount has been recognised on the Statement of Financial Position as the likelihood of default eventuating is remote.

Under the terms of the Generating Plant and Unit Leases and the Land Leases certain costs of the Corporation that are associated with the operation of the generation plants and units and generation land are able to be reimbursed from the lessees or on charged directly to the lessees.

As at the date of this report no such amount for reimbursement from the lessees exists and therefore has not been brought to account in the financial report.

20. Contingent Liability

In the unlikely event that the Corporation defaults under the leases with respect to its legal entitlement to grant the leases, the Corporation is obliged to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were discharged by the prepaid rentals.

No amount has been recognised as the likelihood of the Corporation defaulting is remote.

The Corporation has guaranteed certain payments and other obligations of an unrelated overseas-based entity to third parties. These obligations arise from a financing arrangement over generation assets with unrelated overseas based investors entered into by the Corporation. As part of these arrangements the Corporation has provided limited indemnities to third parties. The risk, which is considered remote and not possible to quantify in any meaningful way, relates to amounts that would become payable to the investors in the event of early termination of the arrangement. No amount has been recognised, because it is considered unlikely that any liability will arise.

Torrens Island Quarantine Station

On 19 May 2000 settlement of the purchase from the Commonwealth of Australia of the Torrens Island Quarantine Station was completed. Whilst it is intended that the Corporation be the temporary holder of the quarantine station there are management issues associated with the purchase. These relate to the presence of hazardous materials (including asbestos, soil contamination and chemicals) as well as building and grounds maintenance.

There have been a number of reports undertaken in relation to these issues. One of the recent reports was undertaken by DASCEM Holdings Pty Ltd, who were engaged by the Commonwealth of Australia to undertake specified remediation in the period from December 1999 to February 2000. Their report confirms that specified remediation works have been completed to address existing contamination.

Future remediation will be the responsibility of the Corporation, however, as at 30 June 2001 this amount is not accurately quantifiable.

21. Segment Information

The Corporation operates as lessor and lessee of prescribed electricity assets in South Australia.

The Corporation also holds and leases assets ancillary to generation assets in South Australia.

The Corporation also holds and manages residual assets excluded from the electricity privatisation process.

22. Economic Dependency

The Corporation is an instrumentality of the Crown under the *Crown Proceedings Act 1992*. Accordingly where a final judgement is given against it, a Minister or agency of the Crown may be directed by the Governor to satisfy that judgement. Such a direction constitutes sufficient authority for the appropriation of the money necessary to satisfy the judgement from the General Revenue of the State of South Australia or from the funds of the Corporation. To this extent the Corporation has the benefit of an implicit guarantee from the State.

23. Events Subsequent to Balance Date

No event has arisen since 30 June 2001 that would be likely to materially affect the operations or the state of affairs of the Corporation.

RESI CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

ETSA Corporation was established as a public corporation pursuant to the provisions of the *Electricity Corporations Act 1994*. In February 2000 the name of ETSA Corporation was changed to RESI Corporation.

During 2000-01 RESI Corporation was the ultimate controlling parent entity for two subsidiary public corporations established pursuant to Regulations under the *Public Corporations Act 1993*. They were RESI Power Corporation (formerly ETSA Power Corporation) and RESI Energy Corporation (formerly ETSA Energy Corporation). Neither of those subsidiaries traded during the year and both were dissolved on 29 March 2001.

In addition, RESI Corporation controlled four companies during the year for the period up until they were deregistered. These companies did not trade during the year and were deregistered on the following dates:

RESI Capital Pty Ltd (Deregistered 5 February 2001)
RESI Capital (No 2) Pty Ltd (Deregistered 5 February 2001)
RESI Utilities Pty Ltd (Deregistered 27 June 2001)
RESI Power Pty Ltd (Deregistered 27 June 2001)

The primary functional responsibilities of RESI Corporation, as set out in its charter, include the following:

- Manage and administer any residual assets and liabilities, which do not form part of the State's electricity privatisation process.
- Implement pass-through agreements as directed by the Treasurer.
- To, as directed, become and remain a party to a number of agreements including:
 - US Cross Border Lease transaction over the electricity transmission assets,
 - gas haulage and gas purchase agreements with Epic and the South Australian Cooper Basin Producers.
 - power purchase and gas sale agreements with Osborne Cogeneration Pty Ltd.
- To act as the parent entity of a number of subsidiary entities until they are wound up, deregistered or dissolved.

SIGNIFICANT FEATURE

Dividends and distributions to the Treasurer for the year were \$1 453.5 million (\$58.7 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with subsection 32(4) of the *Public Corporations Act 1993*, the Auditor-General must audit the accounts of RESI Corporation (formerly ETSA Corporation) in each 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 a specific area of audit attention included the transfer of asset and liability balances into RESI Corporation pursuant to the electricity businesses restructuring and disposal process.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI 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 RESI 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

Transfers of Assets and Liabilities

The disposal of electricity entities throughout the year has resulted in the transfer of a number of assets and liabilities into, or from, RESI Corporation.

In particular, the net assets of RESI Power Corporation and RESI Energy Corporation were transferred to RESI Corporation by means of dividend. Specifically, net assets of \$1 378.2 million were transferred from RESI Power Corporation and net assets of \$5.5 million were transferred from RESI Energy Corporation.

A dividend and distribution to the Treasurer of \$1 453.5 million from RESI Corporation had the effect of extinguishing RESI Corporation's:

- Borrowings/payables totalling \$118.7 million. This amount represented \$46.8 million owed to SAFA and net payables of \$71.9 million owed to RESI FP Pty Ltd, Transmission Lessor Corporation and RESI SYN Pty Ltd.
- Receivable from the Treasurer of \$1 572.1 million represented mainly by proceeds from the disposal of ETSA Power Pty Ltd and ETSA Utilities Pty Ltd.

The net assets of the economic entity as at 30 June 2001 were \$6.3 million (\$1 461.4 million). If balances with the Treasurer and other Government owned electricity entities are excluded, the economic entity has net liabilities of \$6.2 million (\$6.1 million), made up as follows:

	2001 \$'000	2000 \$'000
Assets:		
Receivables	42	31
Property, plant and equipment	416	416
	<u>458</u>	<u>447</u>
Liabilities:		
Accounts payable	127	371
Provisions	6 513	6 142
	<u>6 640</u>	<u>6 513</u>
Net Liabilities	<u>6 182</u>	<u>6 066</u>

Provisions

Provisions of \$6.5 million are made up as follows:

	2001 \$'000	2000 \$'000
Cost for disposal of contaminated materials	-	138
Demolition and site restoration costs associated with land at Port Lincoln and Osborne	1 592	1 724
Claims relating to self insured risks	4 555	3 113
Retirement benefits for Directors and ex-employees	366	1 167
	<u>6 513</u>	<u>6 142</u>

Statement of Financial Performance for the year ended 30 June 2001

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES	2	1 063	123 670	1 063	123 670
EXPENSES FROM ORDINARY ACTIVITIES:					
Other expenses from ordinary activities	3	2 702	1 544	2 702	1 544
Depreciation and amortisation	4	-	3	-	3
Borrowing costs	5	-	65 675	-	65 675
Total Expenses		2 702	67 222	2 702	67 222
(LOSS) PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSES		(1 639)	56 448	(1 639)	56 448
(LOSS) PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE ATTRIBUTABLE TO SOUTH AUSTRALIAN GOVERNMENT		(1 639)	56 448	(1 639)	56 448
TOTAL CHANGES IN EQUITY FROM NON OWNER RELATED TRANSACTIONS ATTRIBUTABLE TO SA GOVERNMENT		(1 639)	56 448	(1 639)	56 448

Statement of Financial Position as at 30 June 2001

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:					
Cash and deposits	9	10 421	13 995	10 421	13 995
Receivables	10	2 092	1 429 819	2 092	1 429 819
Total Current Assets		12 513	1 443 814	12 513	1 443 814
NON-CURRENT ASSETS:					
Investments	11	-	142 346	-	503 175
Property, plant and equipment	12	415	416	415	416
Total Non-Current Assets		415	142 762	415	503 591
Total Assets		12 928	1 586 576	12 928	1 947 405
CURRENT LIABILITIES:					
Accounts payable	13	127	371	127	371
Borrowings	14	-	46 777	-	46 777
Provisions	15	2 158	2 104	2 158	2 104
Total Current Liabilities		2 285	49 252	2 285	49 252
NON-CURRENT LIABILITIES:					
Accounts payable	13	-	71 902	-	1 455 693
Provisions	15	4 355	4 038	4 355	4 038
Total Non-Current Liabilities		4 355	75 940	4 355	1 459 731
Total Liabilities		6 640	125 192	6 640	1 508 983
Net Assets		6 288	1 461 384	6 288	438 422
EQUITY:					
Share capital	16	-	300 000	-	300 000
Reserves	16	-	1 000 000	-	-
Retained profits	7	6 288	161 384	6 288	138 422
TOTAL EQUITY		6 288	1 461 384	6 288	438 422
Contingent Liabilities	24				

Statement of Cash Flows for the year ended 30 June 2001

	Note	Consolidated		Parent Entity	
		2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		10	-	10	-
Receipts from the Treasurer		300	-	300	-
Payments to suppliers and employees		(4 640)	(10 619)	(4 640)	(10 619)
Dividends received		-	63 600	-	63 600
Interest received		756	60 426	756	60 426
Interest and other financing costs		-	(66 328)	-	(66 328)
Payment of grace period losses		-	(9 200)	-	(9 200)
Net Cash (used in) provided by Operating Activities	18(a)	(3 574)	37 879	(3 574)	37 879
CASH FLOWS FROM INVESTING ACTIVITIES:					
Loans to controlled entities		-	63 378	-	63 378
Net Cash provided by Investing Activities		-	63 378	-	63 378
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		-	27 847	-	27 847
Repayment of borrowings		-	(62 336)	-	(62 336)
Dividends paid		-	(53 300)	-	(53 300)
Net Cash used in Financing Activities		-	(87 789)	-	(87 789)
NET (DECREASE) INCREASE IN CASH HELD		(3 574)	13 468	(3 574)	13 468
CASH HELD AT THE BEGINNING OF THE YEAR		13 995	-	13 995	-
Cash transferred in (out)		-	527	-	527
CASH HELD AT THE END OF THE YEAR	18(b)	10 421	13 995	10 421	13 995

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

Basis of Accounting

The financial report is a general purpose financial report and has been prepared on an accrual accounting basis in accordance with applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and is subject to the Treasurer's Instructions and Accounting Policy Statements promulgated by the South Australian Government under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where stated.

Transfer of Assets, Liabilities and Operating Activities

In February 1998, the South Australian Government announced its plan for the reform and privatisation of the electricity supply industry in South Australia. Reform of the State's electricity supply industry was undertaken in accordance with the National Competition Policy as formulated in the Council of Australian Government agreements. The State's electricity businesses were restructured on 12 October 1998 by the disaggregation of ETSA Corporation into three stand alone electricity entities. In turn, this involved the Treasurer of South Australia, pursuant to Schedule 3 of the *Electricity Corporations Act 1994*:

- promulgating Transfer Orders that transferred certain assets, liabilities and staff to these new entities;
- giving certain Directions to ETSA Corporation and its Subsidiaries regarding the autonomous behaviour of each of these entities;
- giving Directions that ETSA Corporation and its Subsidiaries account as if the transfer occurred on 1 July 1998.

As part of the restructure the operating activities and related assets and liabilities associated with the generation, distribution and retail of electricity were transferred from ETSA Corporation and its controlled entities established as subsidiaries under the *Public Corporations Act 1993*, to wholly owned subsidiaries incorporated under the then Corporations Law. The transmission functions remained with ETSA Transmission Corporation (now Transmission Lessor Corporation).

Principles of Consolidation

The consolidated accounts incorporate the assets and liabilities of all entities controlled by RESI Corporation (parent entity) as at year end and the results of all controlled entities for the financial year. RESI Corporation did not have any controlled entities as at the end of the financial year. It is referred to though in the financial statements as an economic entity for comparative purposes. The effects of all transactions between entities in the economic entity were eliminated in full.

Where a controlled entity is obtained during a financial year, its results are included in the consolidated Statement of Financial Performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

Group Structure**Entities Excluded from Consolidation**

Transmission Lessor Corporation has been excluded from the consolidated financial reports on the basis that ETSA Corporation (now RESI Corporation) ceased to control the subsidiary from 1 July 1998 by virtue of a Ministerial Direction. RESI Corporation retains 100 percent ownership of Transmission Lessor Corporation.

Entities Excluded from Consolidation (continued)

The following entities were owned by RESI Corporation for part of the year:

RESI Utilities Pty Ltd, deregistered on 27 June 01.
RESI Power Pty Ltd, deregistered on 27 June 01.
RESI Capital Pty Ltd, deregistered on 5 February 01.
RESI Capital (No.2) Pty Ltd, deregistered 5 February 01.
RESI Energy Corporation, dissolved 29 March 01.
RESI Power Corporation, dissolved 29 March 01.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except as noted below.

Revenue

- (i) *Gross Proceeds from Disposal of Assets*
The gross proceeds of asset sales are included as revenue of the economic entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.
- (ii) *Interest Income*
Interest income is recognised as it accrues.
- (iii) *Other Revenue*
Other revenue is brought to account when the goods and services are provided.

Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs can include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges;
- certain exchange differences arising from foreign currency borrowings;
- payments and receipts under interest rate swap contracts and forward rate agreements entered into to hedge against changes in interest rates;
- the increase to reflect the changing money values over time of the provision for future losses on cogeneration contracts recognised at the net present value of future cash flows;
- the increase to reflect the changing money values over time of the provision for employee retirement benefits recognised at the net present value of future cash flows.

Taxation

- (i) *Income Tax*
The Treasurer of South Australia has issued a determination pursuant to the *Public Corporations Act 1993* whereby RESI Corporation is no longer subject to Commonwealth income tax equivalents.
- (ii) *Goods and Services Tax*
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the Statement of Financial Performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate, unless this cannot be reliably determined. In such cases the discount rate used is the Australian Commonwealth Government Bond rate of similar maturity.

In accordance with the provisions of the South Australian Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' the recoverable amounts test, prescribed in Australian Accounting Standard AAS 10 'Recoverable Amount of Non-Current Assets' can only be applied to physical non-current assets which are held for their value in use where the responsible Minister has directed in writing that the asset is not to be replaced.

Investments

Investments in controlled entities are carried in the parent entity's accounts at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statement of Financial Performance when they are received.

Property, Plant and Equipment

- (i) *Acquisition*
Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the economic entity includes the cost of materials, direct labour and other associated costs and where appropriate borrowing costs.

- (i) **Acquisition (continued)**
Maintenance, repair costs and minor items (ie items acquired with a cost less than two thousand dollars) are immediately expensed at the date of purchase.
- (ii) **Revaluation**
Major classes of physical non-currents assets are revalued as required to reflect assessments of their deprival value. Deprival value is measured as written down current cost for specialised assets (infrastructure) and current market buying price for non-specialised assets (land and buildings). Revaluation increments are taken to the Asset Revaluation Reserve.

As required by the South Australian Department of Treasury and Finance Accounting Policy Statement APS 7 'Depreciation of Non-Current Assets', for assets revalued by reference to a current price for a new asset, separate disclosure is made of the new asset price and the deduction made therefrom to reflect the consumed service potential of the asset.
- (iii) **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 of the year of disposal.
- (iv) **Depreciation of Property, Plant and Equipment**
The net cost or revalued amount of each item of Property, Plant and Equipment (excluding land and easements over land) is depreciated on a straight line basis over its expected useful life commencing from the time the asset is commissioned.

The expected useful lives are as follows:
- | | |
|---------------------|------------------|
| Buildings | Years
10 - 85 |
| Plant and equipment | 5 - 10 |
- Depreciation rates for classes of assets are reviewed annually and, if necessary, adjusted so that they reflect the most recent assessments of useful life. Where asset lives are revised the written down value of the asset is depreciated over its revised remaining life.

Leases

Payments made under operating leases are charged as an expense in the period in which they are incurred.

Trade and Other Creditors

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

Loans and Promissory Notes

Loans and promissory notes 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 as it accrues. Interest is accrued over the period it becomes due and is recorded as part of interest payable.

Derivative Financial Instruments

The economic entity enters into forward foreign exchange contracts, interest rate swap agreements and forward and futures electricity contracts. Derivative financial instruments are not held for speculative purposes. None of these derivative financial instruments are recognised in the financial statements on inception.

- (i) **Interest Rate Swaps**
The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in interest payable at year end.
- (ii) **Forward and Futures Electricity Contracts**
In 2000, forward and futures contracts were entered into in order to hedge the cost of electricity purchases against potential adverse movements in wholesale contract prices. With the exception of recording the margin on futures contracts, neither of these types of derivative financial instruments were recognised in the financial statements on inception. The net amount paid or received on settlement of these financial instruments were included in the cost of electricity purchases in the Statement of Financial Performance.

Employee Entitlements**Employee Retirement Benefits**

A liability in respect of the unfunded employer share of employee retirement benefits is recognised, and is measured as the present value of the estimated employer financed share of the benefits. The estimation process uses benefits based on salaries and contribution accumulations projected ahead, coupled with various assumptions about the frequency of benefit payments and the extent to which options, such as commutation of pensions are exercised. Pension payments, where applicable, are projected ahead using assumed rates of pension increases and mortality. The projected future payments are then discounted to present value at a discount rate, which reflects assumed future investment earnings rates.

Insurance

Insurance premiums are paid to cover certain specific risks, the remaining risks being covered by RESI Corporation acting as its own insurer.

- (i) **Provision for Self Insurance**
The provision for self insurance reflects the extent of outstanding claims from third parties for uninsured losses, payments in respect of which will be made in a subsequent financial year.
- (ii) **Self Insurance Reserve**
In addition to making a provision for the payment of estimated claims for known events, a self insurance reserve was established for potential future uninsured losses including actuarially estimated asbestos disease related liabilities for the near term.

(ii) *Self Insurance Reserve (continued)*

The transfer of assets, liabilities and operating activities, has resulted in no further increases in the reserve being required since 30 June 2000.

Prior to the transfer, the appropriate level of funds to be set aside was determined with regard to risk management principles and a benchmark was established with the assistance of an independent consultant. The adequacy of the self-insurance reserve is progressively reviewed in relation to the known claims in the pipeline and the pattern established by a past series of claims.

Demolition and Site Restoration

The economic entity is subject to a number of environmental requirements under the *Environmental Protection Act 1993* (SA). A provision is maintained at a level considered adequate to cover future costs associated with these obligations, to the extent that the economic entity has a present obligation, which is reliably measurable. The provision is recognised at the net present value of future cash flows where the effect of discounting is material.

Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits, which are readily convertible to cash on hand, net of outstanding bank overdrafts.

Rounding

All values expressed in the notes are to the nearest thousand dollars unless otherwise specified.

Comparative Amounts

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

Note 2 discloses items which were classified as abnormal items in 2000. These items are now restated as revenue and expenses for comparative purposes.

2. Revenue from Ordinary Activities

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Dividend received - Related entities	-	55 000	-	55 000
Interest received - Related entities	-	59 893	-	59 893
Interest income on funds invested	757	17	757	17
Other revenue*	306	8 760	306	8 760
	1 063	123 670	1 063	123 670

* Other revenue for the year 2000 included the following revenues classified as abnormal:

Superannuation provision adjustment ⁽¹⁾	-	3 031	-	3 031
Reversal of grace period losses provision ⁽²⁾	-	4 300	-	4 300
Claims provision adjustment	-	1 267	-	1 267
Site remediation provision adjustment	-	161	-	161

(1) An interim valuation by the actuary into the state and sufficiency of the economic entity's superannuation schemes was received during the year. Consistent with the actuary's recommendations, a \$1.1 million (1999) increase in the provision for employees retirement benefits was made to cover the interim valuation deficiency.

In March 2000 the Treasurer of the State of South Australia transferred the majority of the superannuation provisions in relation to unfunded superannuation liabilities for former employees of the electricity industry to the South Australian Superannuation Scheme, pursuant to the new Schedule 1B of the *Superannuation Act 1988*. RESI Corporation still remains liable for the unfunded portions of superannuation in relation to the remaining Directors of RESI Corporation and SA Generation Corporation and a small number of ex-employees who are now employed by the Department of Primary Industries. The abnormal item for the year ended 30 June 2000 represents the provisions written back after the transfer to the South Australian Superannuation Scheme and the remaining provisions in relation to existing Directors and ex-employees.

(2) Grace period loss provision represents anticipated losses on retail electricity sales to certain customers. The provision was transferred to ETSA Power Pty Ltd in the prior financial year at a consideration equal to book value. This was reflected through non trade amounts receivable from other entities. The abnormal item reflects a reassessment of the provision and is also reflected as an adjustment to non trade amounts receivable from other entities.

3. Other Expenses from Ordinary Activities

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Consultant fees		94	45	94	45
Audit fees	22	34	54	34	54
Provision for self insurance ⁽¹⁾		1 970	-	1 970	-
Superannuation supplementation ⁽²⁾		1 124	-	1 124	-
Uninsured settlements ⁽³⁾		1 019	-	1 019	-
Insurance provision writeback ⁽⁴⁾		(1 666)	-	(1 666)	-
Other ⁽⁵⁾		127	1 445	127	1 445
		2 702	1 544	2 702	1 544

(1) Asbestos related diseases provision based on independent evaluation.

(2) Superannuation supplementation payments to executives of sold/leased electricity business made redundant by their new employers.

(3) Settlement payments made to individuals suffering from asbestos related diseases, not previously provided.

(4) Self insurance provision established in the previous year no longer required.

(5) RESI Corporation received net liabilities of \$1.1 million from SA Generation Corporation on 23 March 2000. This transfer comprised \$0.5 million cash, \$0.7 million loans receivable, \$1.6 million superannuation liability and a \$0.7 million provision for site demolition. The net of these items were classified as abnormal in 2000.

4. Depreciation and Amortisation	Consolidated		Parent Entity		
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	
Depreciation of property, plant and equipment:					
Depreciation of buildings	-	3	-	3	
5. Borrowing Costs					
Borrowing costs	-	65 675	-	65 675	
6. Income Tax Expense					
The Treasurer of South Australia has issued determinations pursuant to the <i>Public Corporations Act 1993</i> whereby RESI Corporation, RESI Power Corporation and RESI Energy Corporation are no longer subject to Commonwealth income tax equivalents.					
7. Retained Profits					
	Note	Consolidated 2001 \$'000	2000 \$'000	Parent Entity 2001 \$'000	2000 \$'000
Retained profits at 1 July		161 384	40 635	138 422	17 673
Net profit (loss) attributable to members of the parent entity		(1 639)	56 448	(1 639)	56 448
Amounts transferred from reserves	16	1 000 000	123 001	1 000 000	123 001
Capital to be returned to the owner	16	300 000	-	300 000	-
Dividends	8	(1 453 457)	(58 700)	(1 430 495)	(58 700)
Retained Profits at 30 June		6 288	161 384	6 288	138 422
8. Dividends					
Special dividend and distribution:					
Return of capital	16	300 000	-	300 000	-
Realization of revaluations	16	1 000 000	-	1 000 000	-
Other		-	4 700	-	4 700
Final ordinary		153 457	54 000	130 495	54 000
Total Dividends Paid ⁽¹⁾		1 453 457	58 700	1 430 495	58 700
(1) Although dividends are referred as to have been 'paid' they were used to extinguish an equivalent amount of debt of the Treasurer to the Corporation.					
9. Cash and Deposits					
Cash on deposit and on hand		10 421	13 995	10 421	13 995
10. Receivables					
Current:					
Receivable from Treasurer ⁽¹⁾		2 050	1 429 788	2 050	1 429 788
Other receivables		42	31	42	31
		2 092	1 429 819	2 092	1 429 819
(1) The 2000 receivable from the Treasurer predominantly represents the balance of consideration receivable on the sale of ETSA Power Pty Ltd and ETSA Utilities Pty Ltd assets and liabilities, net of provisions for superannuation transferred to the South Australian Superannuation Scheme.					
The 2001 receivable represents claims against RESI Corporation from the sale of Flinders Power Pty Ltd and Optima Energy Pty Ltd. The funds to satisfy these claims have been cleared to the Treasurer's Clearing account.					
11. Investments					
		Consolidated 2001 \$'000	2000 \$'000	Parent Entity 2001 \$'000	2000 \$'000
Non-Current Assets:					
Contributed equity in controlled entities - At cost		-	-	-	360 829
Contributed equity in other entities - At cost		-	142 346	-	142 346
		-	142 346	-	503 175
		Carrying Value of Parent Entity Investment		Equity Holding	
		2001 \$'000	2000 \$'000	2001 Percent	2000 Percent
Controlled Entities:					
RESI Energy Corporation		-	5 572	-	100
RESI Power Corporation		-	355 257	-	100
		-	360 829		
Other Entities:					
Transmission Lessor Corporation ⁽¹⁾		-	142 346	-	100
		-	142 346		

(1) Effective from 1 July 1998, ETSA Corporation, now RESI Corporation ceased to exercise direct control over Transmission Lessor Corporation. Refer Note 1 for further details.

12. Property, Plant and Equipment	Consolidated		Parent Entity	
	2001	2000	2001	2000
Land and Buildings:	\$'000	\$'000	\$'000	\$'000
At independent valuation 30 June 1996	429	429	429	429
Accumulated depreciation	14	13	14	13
Written Down Value	415	416	415	416

13. Accounts Payable				
Current:				
Trade creditors	49	129	49	129
Other creditors	88	242	88	242
Interest payable	(10)	-	(10)	-
	127	371	127	371
Non-Current:				
Non-trade amounts payable ⁽¹⁾	-	71 902	-	1 455 693
	-	71 902	-	1 455 693

(1) Non-trade amounts payable represents the net transfer consideration outstanding from Transmission Lessor Corporation, Flinders Power Pty Ltd and RESI SYN Pty Ltd.

14. Borrowings and Financing Arrangements				
(a) Borrowings				
Current:				
Loans from South Australian Government Financing Authority - Unsecured	-	46 777	-	46 777
(b) Maturity Analysis of Borrowings by Currency				
Australian dollar:				
No later than one year	-	46 777	-	46 777
(c) Financing Arrangements				
Access was available at balance date to the following lines of credit:				
South Australian Government Financing Authority	-	76 777	-	76 777
Used at balance date:				
South Australian Government Financing Authority	-	46 777	-	46 777
Unused at balance date:				
South Australian Government Financing Authority	-	30 000	-	30 000

The liabilities of RESI Corporation are guaranteed by the Treasurer of South Australia under the *Public Corporations Act 1993*, as amended.

15. Provisions				
Provisions are classified in the Statement of Financial Position as:				
Current:				
Environmental	-	138	-	138
Demolition and site restoration	1 592	1 724	1 592	1 724
Claims	566	242	566	242
	2 158	2 104	2 158	2 104
Non-Current:				
Employees' retirement benefits	366	1 167	366	1 167
Claims	3 989	2 871	3 989	2 871
	4 355	4 038	4 355	4 038
	6 513	6 142	6 513	6 142

16. Capital and Reserves				
Reserves:				
Asset revaluation	-	1 000 000	-	-
Asset realisation	-	-	-	-
Self insurance	-	-	-	-
	-	1 000 000	-	-
Capital:				
Share capital	-	300 000	-	300 000
	-	1 300 000	-	300 000
Movements comprise:				
Asset Revaluation Reserve:				
Opening balance 1 July	1 000 000	1 022 830	-	23 001
Transfer to retained profits	(1 000 000)	(22 830)	-	(23 001)
Closing Balance 30 June	-	1 000 000	-	-
Asset Realisation Reserve:				
Opening balance 1 July	-	171	-	-
Transfer to retained profits	-	(171)	-	-
Closing Balance 30 June	-	-	-	-
Self Insurance Reserve:				
Opening balance 1 July	-	100 000	-	100 000
Transfer to retained profits	-	(100 000)	-	(100 000)
Closing Balance 30 June	-	-	-	-

16. Capital and Reserves (continued)	Consolidated		Parent Entity	
	2001	2000	2001	2000
Share Capital:	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July	300 000	300 000	300 000	300 000
Movements	(300 000)	-	(300 000)	-
Closing Balance 30 June	-	300 000	-	300 000

17. Financial Instruments

(a) Credit Risk

There were no credit risks on RESI Corporation's Statement of Financial Position as at 30 June 2001.

(b) Interest Rate Risk Exposures

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

	Floating Interest Rate \$'000	2001 Fixed interest Maturing in			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
		1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000			
Financial Assets:							
Cash and deposits	10 421	-	-	-	-	10 421	5.58
Receivable from Treasurer	-	-	-	-	2 050	2 050	-
Other receivables	42	-	-	-	-	42	-
	10 463	-	-	-	2 050	12 513	
Financial Liabilities:							
Loans from SAFA	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Net Financial Assets (Liabilities)	10 463	-	-	-	2 050	12 513	

	Floating Interest Rate \$'000	2000 Fixed interest Maturing in			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
		1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000			
Financial Assets:							
Cash and deposits	13 995	-	-	-	-	13 995	5.58
Receivable from Treasurer	-	-	-	-	1 429 819	1 429 819	-
	13 995	-	-	-	1 429 819	1 443 814	
Financial Liabilities:							
Loans from SAFA	46 777	-	-	-	-	46 777	6.18
Other payables	-	-	-	-	72 273	72 273	-
	46 777	-	-	-	72 273	119 050	
Net Financial Assets (Liabilities)	(32 782)	-	-	-	1 357 546	1 324 764	

Reconciliation of Net Financial Assets to Net Assets		2001	2000
		\$'000	\$'000
Net financial assets (liabilities) as above		12 513	1 324 764
Non-financial assets and liabilities:			
Investments		-	142 346
Property, plant and equipment		415	416
Provisions		(6 640)	(6 142)
Net Assets per Statement of Financial Position		6 288	1 461 384

(c) Net Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated net market values of financial assets and liabilities at balance date are as follows:

On-Financial Statement	2001		2000	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash and deposits	10 421	10 421	13 995	13 995
Receivable from Treasurer	2 050	2 050	1 429 788	1 429 788
Other receivables	42	42	31	31
	12 513	12 513	1 443 814	1 443 814
Financial Liabilities:				
Loans from SAFA	-	-	46 777	46 777
Other payables	-	-	72 273	72 273
	-	-	119 050	119 050

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

On-Financial Statement

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value. The net fair value of other monetary financial assets and financial liabilities is based upon market prices.

Off-Financial Statement

The net fair values of interest rate swap agreements has been determined as the difference in the net present values of the future cash.

18. Notes to the Statement of Cash Flows	Consolidated		Parent Entity	
	2001	2000	2001	2000
(a) Reconciliation of Profit from Ordinary Activities after related Income	\$'000	\$'000	\$'000	\$'000
Tax Expense to Net Cash provided by (used in) Operating Activities	(1 639)	56 448	(1 639)	56 448
Profit from ordinary activities after related income tax expense	-	3	-	3
Depreciation and amortisation	-	(5 423)	-	(5 423)
Amounts set aside to provisions	-	1 129	-	1 129
Loss on transfer of assets	-	-	-	-
Add (Less): Changes in assets and liabilities net of effect from net non-cash assets transferred to controlled entities and SA Generation Corporation:				
Increase in receivables	-	9 116	-	9 116
Increase (Decrease) in creditors	-	(14 380)	-	(14 380)
(Decrease) in provisions	(1 935)	(9 014)	(1 935)	(9 014)
Net Cash (used in) provided by Operating Activities	(3 574)	37 879	(3 574)	37 879
(b) Reconciliation of Cash				
Cash and cash equivalents comprise:				
Cash on deposit	10 421	13 995	10 421	13 995

19. Commitments for Expenditure

There were no operating lease commitments in either 2000 or 2001.

20. Remuneration of Directors

Total income paid or payable, or otherwise made available, to all directors of the Corporation and controlled entities of the Corporation or any related party.

	55	414	55	273
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The number of Directors of the Corporation whose income from the Corporation or any related party falls within the following bands:

	2001 Number of Directors	2000 Number of Directors
\$0 - \$9 999	7	1
\$30 000 - \$39 999	1	-
\$40 000 - \$49 999	-	2
\$80 000 - \$89 999	-	1
\$90 000 - \$99 999	-	1

Directors' income does not include insurance premiums paid by the Corporation or related parties in respect of directors and officers liability insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

21. Remuneration of Employees

The Corporation is managed by a chief executive officer on a part time basis. Other employees' services (on a part time basis) are used as required.

22. Auditors' Remuneration

Amounts received or due and receivable by the auditors from RESI Corporation for auditing the accounts of:

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Parent entity	34	28	34	28
Controlled entities	-	8	-	8
Other entities	-	18	-	18
	34	54	34	54

The Auditors provided no other services to the Corporation during the current or prior year.

23. Related Party Transactions

Directors

The name of persons who were Directors of the Corporation at any time during the financial year are as follows:

Mr J T Hill (appointed 5.10.00) (Chairman)	Mr M J Janes (Chairman) (from 6.7.00 to 30.9.00)
Mr L S DeGennaro (appointed 5.10.00)	Ms C S Bart (from 6.7.00 to 30.9.00)
Ms E J Moran (appointed 5.10.00)	Mr M B Cameron (from 6.7.00 to 30.9.00)
Mr A G Anastasiades (appointed 22.6.00)	Mr T J Spencer (from 5.10.00 to 26.11.00)

Transaction of Directors and Director-Related Entities

No Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of Directors' remuneration shown the financial statements, because of a contract made by the Corporation or any related party with a Director, or with a firm of which a Director is a member or with an entity in which a Director has a substantial financial interest.

24. Contingent Liabilities

The nature of the Corporation's business in the past created potential exposure to environmental matters, which the Corporation and its controlled entities may be required to remedy in the future. No amount has been recognised where there is significant uncertainty as to whether any future costs will be incurred.

The Corporation has guaranteed that a related entity, Transmission Lessor Corporation, would meet its obligations if called upon to do so under a guarantee given by Transmission Lessor Corporation for certain payments and other obligations of an unrelated overseas based entity to third parties. These obligations result from a financing arrangement over Transmission assets with unrelated overseas based investors entered into by Transmission Lessor Corporation, for which it received a facilitation fee. As part of these arrangements Transmission Lessor Corporation has provided limited indemnities to third parties. The risk, which is considered remote and not possible to quantify in any meaningful way, relates to amounts that would become payable to the investors in the event of early termination of the arrangement. No amount has been recognised by either Transmission Lessor Corporation or the parent entity, because it is considered unlikely that any liability will arise.

24. Contingent Liabilities (continued)

Transmission Lessor Corporation has undertaken to provide financial support, as and when required, to a certain wholly-owned subsidiary corporation, so as to enable this corporation to pay its debts as and when such debts fall due.

RESI Corporation retains a contingent liability resulting from a commitment given by the Government to identified employees of the former ETSA Corporation/SA Generation Corporation businesses in respect of superannuation entitlements.

As at balance date quantification of the liability cannot be accurately determined, however, it is not considered that any amount would be material.

25. Superannuation Commitments

Prior to 1 December 1999, ETSA Corporation was involved with two superannuation schemes:

- the ETSA Contributory Superannuation Scheme (incorporating the Lump Sum Scheme, the Pension Scheme and the RG Scheme); and
- the ETSA Non-Contributory Superannuation Scheme.

As from 1 December 1999 the ETSA Contributory Superannuation Scheme was renamed the Electricity Industry Superannuation Scheme and the ETSA Non-Contributory Superannuation Scheme became the Accumulated Scheme division of the overall Scheme.

The Corporation's liability under the superannuation schemes arising upon retirement, death, disability, resignation or other separation of a member was not fully funded, but was paid as the benefit fell due. A provision for this liability was recognised in the accounts (refer Note 15).

In March 2000, the Treasurer of the State of South Australia transferred the majority of the superannuation provisions in relation to unfunded superannuation for former employees of the electricity industry to the South Australian Superannuation Scheme, pursuant to the new Schedule 1B of the *Superannuation Act 1988*. The assets held in the superannuation schemes in respect of the Corporation's liabilities were transferred to the State Superannuation Fund.

RESI Corporation still remains liable for the unfunded portions of superannuation in relation to the remaining Directors of RESI Corporation and the former SA Generation Corporation and also for the unfunded portion in respect of a small number of ex-employees. A provision has been recorded in the financial statements in relation to these liabilities as calculated by the actuary (refer Note 15).

26. Events Subsequent to Balance Date

No event has arisen since the year end that would be likely to materially affect the operations or the state of affairs of the Corporation.

27. Likely Developments

RESI Corporation has been the subject of seven asbestos related claims in the last six months. In most of the cases the claimants are ex-employees of ETSA Corporation who were exposed to asbestos at power stations run by ETSA in the 1950's and 1960's. RESI commissioned a preliminary actuarial report in an attempt to assess its future exposure to claims of this nature. The report indicates that if the pattern of claims in South Australia is similar to the national pattern, RESI could be the subject of a significant number of asbestos related claims. RESI has provided for expected claims based on the existing backlog and the number of preliminary inquiries from potential claimants. This provision will be continually reviewed as additional data emerge and a reliable history base is established in South Australia.

28. Economic Dependency

The Corporation is an instrumentality of the *Crown Proceedings Act 1992*. Accordingly, where a final judgement is given against it, a Minister or agency of the Crown may be directed by the Governor to satisfy that judgement. Such a direction constitutes sufficient authority for the appropriation of the money necessary to satisfy the judgement from the General Revenue of the State of South Australia or from the funds of the Corporation. To this extent the Corporation has the benefit of an implicit guarantee from the State.

RESI FP PTY LTD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Flinders Power Pty Ltd was incorporated under the Corporations Law in May 1998.

Pursuant to a Ministerial Transfer Order, dated 23 March 2000, the shares in Flinders Power Pty Ltd held by the SA Generation Corporation were transferred to the Treasurer as a body corporate.

On 6 October 2000 the name of Flinders Power Pty Ltd was changed to RESI FP Pty Ltd.

The principal activity of RESI FP Pty Ltd for the period to 3 August 2000 included the:

- generation, supply and sale of electricity from Northern Power Station and Playford Station;
- ownership and operation of the Leigh Creek Coal Mine and Railway;
- management of the contract to purchase electricity from the CUBE Co-generation Contract.

CHANGES TO AGENCY ORGANISATION IN 2000-01

On 8 September 2000, the majority of the assets of RESI FP Pty Ltd were sold or leased and the company ceased trading as a generator, supplier and seller of electricity.

Disposal of Assets and Liabilities of the Business

The Government announced on 3 August 2000 that an agreement was signed with NRG Energy for the disposal of the assets and liabilities of RESI FP Pty Ltd (formerly Flinders Power Pty Ltd). Although settlement of the transaction did not occur until 8 September 2000, the assets and liabilities associated with the business were transferred as at the date of the agreement, ie 3 August 2000.

As a result of the agreement:

- prescribed generation assets (ie plant and land), together with the Leigh Creek Township and the lease interest in the Leigh Creek to Port Augusta railway line, were transferred to the Generation Lessor Corporation.
- non-prescribed assets (net of liabilities) were sold to the new owners.

Further commentary on these transactions is included below under the heading 'Interpretation and Analysis of Financial Statements'.

SIGNIFICANT FEATURES

Total proceeds received from the disposal of RESI FP Pty Ltd's non-prescribed assets was \$21.3 million.

Accounting profit on disposal of RESI FP Pty Ltd's non-prescribed assets was \$34.7 million.

Dividends and distributions to the Treasurer for the year were \$66.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 33 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of RESI FP Pty Ltd (formerly Flinders Power Pty Ltd).

Scope of the Audit

The audit program 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 a specific area of audit attention included the accounting for the transfer and lease of the prescribed electricity generation assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI FP 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.

Audit formed the opinion that the controls exercised by RESI FP 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 organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Transfer of Assets to Generation Lessor Corporation

During the year Ministerial Transfer Orders were made by the Treasurer pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*. These Orders transferred the following assets, at their book value, from RESI FP Pty Ltd to the Generation Lessor Corporation.

	2001 \$'000
Prescribed electricity generation plant	104 823
Prescribed electricity generation land	6
Leigh Creek Township and interest in the Leigh Creek Railway	20 024
Non-prescribed land	7
	<u>124 860</u>

Further commentary on the subsequent lease of the prescribed assets to NRG Energy is included in this Report under the heading Generation Lessor Corporation.

Disposal of Non-Prescribed Assets and Liabilities

During the year assets (net of liabilities) of RESI FP Pty Ltd (formerly Flinders Power Pty Ltd) were sold. The assets (net of liabilities) sold reflected their values as at 3 August 2000, and were as follows:

	2001	
	\$'000	\$'000
Assets:		
Cash	5	
Receivables	29 685	
Inventories	16 720	
Property, plant and equipment	75 490	
Other	50 718	
		<u>172 618</u>
Liabilities:		
Creditors and borrowings	18 400	
Provisions	167 664	
		<u>186 064</u>
Net liabilities		13 446
Proceeds from disposal		<u>21 290</u>
Profit on disposal of non-prescribed generation assets		<u><u>34 736</u></u>

Abridged Financial Statements

The results of operations for the year ended 30 June 2001 for RESI FP (formerly Flinders Power Pty Ltd) are set out below. The results reflect both the period during which Flinders Power Pty Ltd generated, supplied and sold electricity, together with the impact of the transfer or sale of assets and liabilities.

Statement of Financial Performance for the year ended 30 June 2001

	2001	2000
	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	34 317	285 291
EXPENSES FROM ORDINARY ACTIVITIES	28 803	257 340
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSES	5 514	27 951
Income tax expense (benefit) relating to ordinary activities	(378)	13 242
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE BENEFIT	5 892	14 709
Profit from extraordinary items after related income tax expense	34 737	-
NET PROFIT	40 629	14 709
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNER AS OWNER	40 629	14 709

Statement of Financial Position as at 30 June 2001

	2001	2000
	\$'000	\$'000
CURRENT ASSETS:		
Cash	5	1 667
Receivables	-	25 054
Inventories	-	16 769
Total Current Assets	5	43 490
NON-CURRENT ASSETS:		
Receivables	-	65 984
Property, plant and equipment	-	201 633
Other	-	49 576
Total Non-Current Assets	-	317 193
Total Assets	5	360 683
CURRENT LIABILITIES:		
Payables	5	19 177
Borrowings	-	9 488
Provisions	-	10 435
Total Current Liabilities	5	39 100
NON-CURRENT LIABILITIES:		
Payables	-	2 002
Borrowings	-	134 854
Provisions	-	159 183
Total Non-Current Liabilities	-	296 039
Total Liabilities	5	335 139
NET ASSETS	-	25 544
EQUITY:		
Share capital	-	-
Retained profits	-	25 544
TOTAL EQUITY	-	25 544

RESI GAS PTY LTD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Terra Gas trader Pty Ltd was incorporated under the Corporations Law in June 1998.

Pursuant to a Ministerial Transfer Order dated 23 March 2000, the shares in Terra Gas trader Pty Ltd held by SA Generation Corporation were transferred to the Treasurer as a body corporate.

On 6 November 2000 the name of Terra Gas trader Pty Ltd was changed to RESI GAS Pty Ltd.

The principal activity of RESI GAS Pty Ltd for the period to 23 October 2000 included:

- the acquisition, haulage, storage and supply of petroleum products;
- trading in the energy market by buying or selling petroleum products;
- trading in petroleum haulage rights;
- trading in financial instruments or derivatives that relate to petroleum and electricity.

On 23 October 2000 the majority of the assets of RESI GAS Pty Ltd were sold or leased and the Company ceased trading.

CHANGES TO AGENCY ORGANISATION IN 2000-01

Disposal of Assets and Liabilities of the Business

Under the Government's electricity businesses disposal program, a Final Bid for the disposal of Terra Gas trader Pty Ltd was received on 17 July 2000.

Subsequent negotiations were held with the bidder, as well as consideration of a new unsolicited bid.

Following a recommendation from the Evaluation Committee, the Treasurer entered into a contract with Tarong Gas Trader Pty for the sale of the Terra Gas trader Pty Ltd business on 23 October 2000.

Although settlement of the transaction did not occur until 31 October 2000, the assets and liabilities associated with the business were transferred as at 1 August 2000. The company ceased trading at the date of sale.

Further commentary on those transactions is included below under the heading 'Interpretation and Analysis of Financial Statements'.

SIGNIFICANT FEATURES

Dividends and distributions to the Treasurer for the year were \$38.1 (\$18 million).

Total proceeds received from the disposal of RESI GAS Pty Ltd's non-prescribed assets was \$32.7 million.

Accounting profit on disposal of RESI GAS Pty Ltd's non-prescribed assets was \$13 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 33 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of RESI GAS trader Pty Ltd (formerly Terra Gas trader Pty Ltd).

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 controls.

During 2000-01 a specific area of audit attention included the accounting for the transfer and lease of the prescribed electricity assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI GAS 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.

Audit formed the opinion that the controls exercised by RESI GAS 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 organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Disposal of Non-Prescribed Assets and Liabilities

During the year assets (net of liabilities) of Terra Gas trader Pty Ltd were sold. The assets (net of liabilities) sold reflected their values as at 1 August 2000 and were as follows:

	\$'000	\$'000
Assets:		
Receivables	18 675	
Inventories	19 254	
Property, plant and equipment	195	
Other	499	
	<hr/>	
Liabilities:		38 623
Creditors and accruals	18 308	
Provisions	629	
	<hr/>	
		18 937
Net assets		<hr/> 19 686
Proceeds from disposal		<hr/> 32 666
Profit on Disposal of Non-Prescribed Assets		<hr/> <hr/> 12 980

Abridged Financial Statements

The results of operations for the year ended 30 June 2001 for RESI GAS Pty Ltd (formerly Terra Gas trader Pty Ltd) are set out below. The results reflect both the period during which Terra Gas trader Pty Ltd traded together with the impact of the transfer or sale of assets and liabilities.

Statement of Financial Performance for the year ended 30 June 2001

	2001	2000
	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	17 084	186 362
EXPENSES FROM ORDINARY ACTIVITIES	16 296	174 617
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE	788	11 745
Income tax expense relating to ordinary activities	-	(3 157)
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	788	8 588
Profit from extraordinary activities after related income tax expense	12 980	(995)
NET PROFIT	13 768	7 593
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNER AS OWNER	13 768	7 593

Statement of Financial Position as at 30 June 2001

	2001	2000
	\$'000	\$'000
CURRENT ASSETS:		
Cash assets	1 802	4 331
Receivables	20	18 194
Inventories	-	4 599
Other	-	359
Total Current Assets	1 822	27 483
NON-CURRENT ASSETS:		
Inventories	-	14 655
Plant and equipment	-	201
Total Non-Current Assets	-	14 856
Total Assets	1 822	42 339
CURRENT LIABILITIES:		
Payables	1 822	17 400
Provisions	-	72
Total Current Liabilities	1 822	17 472
NON-CURRENT LIABILITIES:		
Provisions	-	549
Borrowings	-	5
Total Non-Current Liabilities	-	554
Total Liabilities	1 822	18 026
NET ASSETS	-	24 313
EQUITY:		
Capital and reserves	-	21 132
Retained profits	-	3 181
TOTAL EQUITY	-	24 313

RESI OE PTY LTD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Optima Energy Pty Ltd was incorporated under the Corporations Law in August 1998.

Pursuant to a Ministerial Transfer Order dated 23 March 2000, the shares in Optima Energy Pty Ltd held by SA Generation Corporation were transferred to the Treasurer as a body corporate.

On 7 June 2000 Optima Energy Pty Ltd was renamed RESI OE Pty Ltd.

Prior to the sale/lease of Optima Energy Pty Ltd's assets and liabilities, the primary function of the Company was to generate, supply and sell electricity from the following generation facilities:

- Torrens Island Power Station A
- Torrens Island Power Station B

On 4 May 2000 the Treasurer signed an agreement with TXU Electricity Ltd (TXU) for the disposal of the assets and liabilities of Optima Energy Pty Ltd.

To give effect to this agreement:

- Assets with a written down book value of \$102.6 million, including prescribed electricity generation assets as defined by the *Electricity Corporations (Restructuring and Disposal) Act 1999*, were transferred to the Generation Lessor Corporation. The prescribed assets were subsequently leased to TXU.
- Non-prescribed assets (net of liabilities) were sold to TXU.
- Optima Energy Pty Ltd ceased trading.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 33 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of RESI OE Pty Ltd (formerly Optima Energy Pty Ltd).

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.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI OE 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.

Audit formed the opinion that the controls exercised by RESI OE 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 organisation were conducted properly and in accordance with the law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Transfer of Assets to the Generation Lessor Corporation

During the year Ministerial Transfer Orders were made by the Treasurer pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*. These Orders transferred the following assets, at their book value, from RESI OE Pty Ltd to the Generation Lessor Corporation.

	2001	2000
	\$'000	\$'000
Prescribed electricity generation assets	-	96 381
Prescribed electricity generation land	-	1 923
Other land	1 881	4 315
	1 881	102 619

Abridged Financial Statements

The results of operations for the year ended 30 June 2001 for RESI OE Pty Ltd are set out below. The results reflect the impact of the transfer or sale of assets and liabilities.

Statement of Financial Performance for the year ended 30 June 2001

	2001	2000
	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	522	142 813
EXPENSES FROM ORDINARY ACTIVITIES	28	125 326
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE	494	17 487
Income tax benefit relating to ordinary activities	-	7 571
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED TAX BENEFIT	494	25 058
Profit from extraordinary item after related income tax expense	-	9 723
NET PROFIT	494	34 781
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNER AS OWNER	494	34 781

Statement of Financial Position as at 30 June 2001

	2001	2000
	\$'000	\$'000
CURRENT ASSETS:		
Cash assets	9 337	8 854
Receivables	38	43
Property, plant and equipment	-	1 881
Total Assets	9 375	10 778
CURRENT LIABILITIES:		
Payables	9 375	10 478
Provisions	-	300
Total Liabilities	9 375	10 778
NET ASSETS	-	-
EQUITY:		
Contributed equity and retained profits	-	-
TOTAL EQUITY	-	-

RESI SYN PTY LTD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Synergen Pty Ltd was incorporated under the Corporations Law in August 1998.

Pursuant to a Ministerial Transfer Order dated 23 March 2000, the shares in Synergen Pty Ltd held by SA Generation Corporation were transferred to the Treasurer as a body corporate.

On 23 June 2000 Synergen Pty Ltd was renamed RESI SYN Pty Ltd.

Prior to the sale/lease of Synergen Pty Ltd's assets and liabilities, the primary function of the company was to generate, supply and sell electricity from the following generation facilities:

- Dry Creek Turbines
- Mintaro Turbines
- Snuggery Turbines
- Port Lincoln Turbines

On 11 May 2000 the South Australian Treasurer signed an agreement with National Power Australia Pty Ltd (National Power) for the disposal of the assets and liabilities of Synergen Pty Ltd.

To give effect to this agreement:

- Assets with a written down book value of \$18.6 million, including prescribed electricity generation assets as defined by the *Electricity Corporations (Restructuring and Disposal) Act 1999*, were transferred to the Generation Lessor Corporation. The prescribed assets were subsequently leased to National Power.
- Non-prescribed assets (net of liabilities) were sold to National Power.
- Synergen Pty Ltd ceased trading.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 33 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of RESI SYN Pty Ltd (formerly Synergen Pty Ltd).

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.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI SYN 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.

Audit formed the opinion that the controls exercised by RESI SYN 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 organisation were conducted properly and in accordance with the law.

Abridged Financial Statements

The results of operations for the year 30 June 2001 for RESI SYN Pty Ltd are set out below. The results reflect the transfer or sale of assets and liabilities.

Statement of Financial Performance for the year ended 30 June 2001

	2001	2000
	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	197	22 690
EXPENSES FROM ORDINARY ACTIVITIES	28	13 413
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE	169	9 277
Income tax expense relating to ordinary activities	-	1 906
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	-	7 371
Profit from extraordinary items after related income tax expense	-	1 820
NET PROFIT	169	9 191
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNER AS OWNER	169	9 191

Statement of Financial Position as at 30 June 2001

	2001	2000
	\$'000	\$'000
CURRENT ASSETS:		
Cash assets	3 514	3 359
Receivables	14	2 240
Total Assets	3 528	5 599
CURRENT LIABILITIES:		
Payables	3 528	5 599
Total Liabilities	3 528	5 599
NET ASSETS	-	-
EQUITY:		
Contributed equity and retained profits	-	-
TOTAL EQUITY	-	-

TRANSMISSION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

ETSA Transmission Corporation was incorporated in 1995 by regulation under the *Public Corporations Act 1993* as a subsidiary of ETSA Corporation (now RESI Corporation). During 1999-2000 the name of ETSA Transmission Corporation was changed to Transmission Lessor Corporation (TLC) in readiness for leasing its prescribed transmission assets.

Although RESI Corporation is the ultimate holding Corporation in terms of the *Public Corporations Act 1993*, TLC was established as an autonomous trading entity, which in substance cannot be directed by RESI Corporation without the approval of the Treasurer.

TLC has a subsidiary entitled Transmission Leasing Pty Ltd which is a participant in a cross border lease of transmission assets.

The principal activity of the TLC for the period to 31 October 2000 was the conduct of an electricity transmission business (trading as ElectraNet SA) in accordance with the *Public Corporations Act 1993* and the National Electricity Code.

On 20 September 2000 the majority of the assets and liabilities of TLC were sold or leased and TLC ceased trading as a electricity transmission business effective from 31 October 2000. From 1 November 2000 the functions of TLC included being a lessor under a lease granted in respect of certain prescribed assets transferred to TLC pursuant to the *Electricity Corporations (Restructuring and Disposal) Act 1999*.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE IN 2000-01

Under the Government's electricity businesses disposal program, Final Bids for the sale and lease of the assets and liabilities of the Government's transmission business (ElectraNet SA) were received on 4 September 2000. On 20 September 2000, following a recommendation from the Evaluation Committee, the Treasurer entered into a contract with a consortium comprising Macquarie Bank Limited, Powerlink and ABB for the sale/lease of the ElectraNet SA business.

Further commentary on these transactions is included below under the heading 'Interpretation and Analysis of Financial Statements'.

SIGNIFICANT FEATURES

Total proceeds from the disposal of non-prescribed assets and liabilities were \$392 000 resulting in a loss on disposal of \$15 million.

Prepaid finance lease rentals from the lease of the prescribed network assets were \$750.5 million.

Prepaid operating lease rentals from the lease of the prescribed network land were \$156.1 million.

Dividends and distributions to the Treasurer for the year were \$510 million (\$55 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of Transmission Lessor Corporation.

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 the accounting for the lease of the prescribed electricity transmission assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Transmission Lessor 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 Transmission Lessor 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

Disposal of Non-Prescribed Assets and Liabilities

During the year assets (net of liabilities) of TLC (trading as ElectraNet SA) were sold. The assets (net of liabilities) sold reflected their values as at 20 September 2000 and were as follows:

Assets:	\$'000	\$'000
Cash	3	
Receivables	17 861	
Inventories	4 138	
Property, plant and equipment	6 334	
Other	10 395	
		<u>38 731</u>
Liabilities:		
Creditors and borrowings	8 454	
Provisions	14 905	
		<u>23 359</u>
Net assets		<u>15 372</u>
Proceeds from disposal		<u>392</u>
Loss on Disposal of Non-Prescribed Transmission Assets		<u><u>14 980</u></u>

Lease of Electricity Transmission Assets

Finance Lease

Pursuant to a lease agreement (relating to the lease of prescribed electricity transmission network assets) prepaid finance lease rentals of \$750.5 million were received by the State resulting in an accounting profit on the lease of \$66 million. This profit was determined as follows:

	\$'000
Pre-paid Lease Rentals	750 514
Book Value on Transfer	<u>684 545</u>
Accounting Profit on the Lease	<u><u>65 969</u></u>

Operating Lease

Pursuant to a lease agreement (relating to the lease of prescribed electricity transmission network land) prepaid operating lease rentals of \$156.1 million were received by the State. These prepaid lease rentals are recognised as unearned income in the Statement of Financial Position of TLC and are amortised on a net present value basis over the term of the lease.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Revenue from transmission of electricity	2	30 579	127 262
Other revenue	3	1 127	8 520
Total Revenue from Ordinary Activities		31 706	135 782
EXPENSES FROM ORDINARY ACTIVITIES:			
Internal labour	4.1	2 393	11 223
Consultants and contractors	4.2	742	2 568
Materials	4.3	219	2 292
Service contracts	4.4	2 701	12 081
Other services	4.5	1 394	5 708
Depreciation	5	6 387	26 166
Borrowing costs	6	12 494	17 957
Other expenses	7	32	6 946
Total Expenses from Ordinary Activities		26 362	84 941
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		5 344	50 841
Income tax (benefit) expense relating to ordinary activities	8	(8 554)	17 175
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE		13 898	33 666
Profit from extraordinary items after related income tax expense	9	50 989	-
NET PROFIT	22	64 887	33 666
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		64 887	33 666

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	10	9 748	6 954
Receivables	11	6	8 508
Other	12	-	540
Total Current Assets		9 754	16 002
NON-CURRENT ASSETS:			
Receivables	11	156 061	12 358
Inventories	13	-	4 082
Property, plant and equipment	14	13 869	708 413
Other	15	-	9 794
Total Non-Current Assets		169 930	734 647
Total Assets		179 684	750 649
CURRENT LIABILITIES:			
Payables	16	74	16 530
Borrowings	17	-	74 150
Provisions	18	-	15 667
Total Current Liabilities		74	106 347
NON-CURRENT LIABILITIES:			
Payables	16	973	-
Borrowings	17	-	156 139
Provisions	18	8 707	29 203
Unearned income	19	156 061	-
Total Non-Current Liabilities		165 741	185 342
Total Liabilities		165 815	291 689
NET ASSETS		13 869	458 960
EQUITY:			
Contributed equity	20	-	142 346
Reserves	21	-	269 941
Retained profits	22	13 869	46 673
TOTAL EQUITY		13 869	458 960
Contingent Assets	32		
Contingent Liability	33		

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	Note	22 191	132 393
Payments to suppliers and employees		(16 597)	(50 178)
Interest received		4	757
Borrowing costs		(6 216)	(17 778)
Income tax paid		(5 541)	(13 717)
Net Cash (used in) provided by Operating Activities	25(b)	(6 159)	51 477
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		(4 724)	(48 621)
Net Cash (used in) Investing Activities		(4 724)	(48 621)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash transferred from a related body corporate		1 100	-
Proceeds from borrowings		12 058	65 730
Net bank overdraft transferred to purchaser of the business		56	-
Repayment of borrowings ⁽¹⁾		-	(14 335)
Dividends paid ⁽²⁾		-	(55 000)
Net Cash provided by (used in) Financing Activities		13 214	(3 605)
NET INCREASE (DECREASE) IN CASH HELD		2 331	(749)
CASH HELD AT THE BEGINNING OF THE YEAR	25(a)	(1 290)	(541)
CASH HELD AT THE END OF THE YEAR	25(a)	1 041	(1 290)

1. Assumption of borrowings by the Treasurer of \$249.177 million effective 1 December 2000 do not represent a cash outflow as they are a component of the accounting treatment for the proceeds already received by the Treasurer.
2. Dividends paid of \$509.978 million in the period ended 30 June 2001 do not represent a cash outflow as they are a component of the accounting treatment for the proceeds already received by the Treasurer.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

Establishment

Transmission Lessor Corporation (the Corporation) commenced operation on 1 July 1996 as a transmitter of electricity and system controller. The principal activity of the Corporation for the period to 31 October 2000 was the conduct of an electricity transmission business in accordance with Regulations under the *Public Corporations Act 1993* and in accordance with the National Electricity Code.

As part of the privatisation of the South Australian electricity assets by the South Australian Government, on 20 September 2000 the Government executed a Business Sale Agreement with Bluemint Pty Ltd. Financial completion was 31 October 2001.

With effect from 31 October 2000 the majority of the assets and liabilities of the Corporation were sold or leased and the Corporation ceased trading as a business. The product of trading of the Corporation during the period 20 September 2000 to 31 October 2000 was transferred to Bluemint Pty Ltd.

The prescribed electricity assets as defined in the *Electricity Corporations (Restructuring & Disposal) Act 1999* (ie network assets and network land) were leased to Bluemint Pty Ltd for a period of 200 years.

From 1 November 2000 the principal activity of the Corporation is as lessor of the electricity transmission network prescribed electricity assets and land.

Note 30 provides further information on the sale of the assets (net of liabilities) of the Corporation, the lease of the prescribed electricity assets, the consideration received and the profit arising from the leases.

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared on an accrual accounting basis. The accounting policies utilised are in accordance with the recognition and measurement aspects of all Statements of Accounting Concepts, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views, and is subject to the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where stated. The financial report covers the period from 1 July 2000 to 30 June 2001 and, except where noted, the accounting policies are consistent with the 30 June 2000 financial report.

On 20 January 2000, section 8 of the *Statutes Amendment (Electricity) Act 1999* came into operation, which had the effect of bringing into operation amendments to the Public Corporations (ETSA Transmission Corporation) Regulations 1995 to change the name of the Corporation from ETSA Transmission Corporation to Transmission Lessor Corporation. Section 8 also had the effect of renaming the Corporation's parent entity, ETSA Corporation to RESI Corporation.

Pursuant to the terms of an exemption issued by the Treasurer of South Australia dated 8 October 1998 under section 32(2) of the *Public Corporations Act 1993*, the financial results of the Corporation are not consolidated with the results of its parent entity, RESI Corporation.

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 Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 37 'Financial Report Presentation and Disclosures' and AAS 36 'Statement of Financial Position'.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the Statement of Financial Performance to Note 22.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individual items in Notes 3 and 7. These items are no longer identified separately on the face of the Statement of Financial Performance.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of 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 a current asset or liability in the Statement of Financial Position.

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

Revenue Recognition

- (i) *Network Revenue*
Network Revenue represents revenue earned from the transmission of electricity. Network revenue is recorded when the services are provided.
- (ii) *Gross Proceeds from Disposal of Assets*
The gross proceeds of asset sales in the normal course of operations are included as revenue of the Corporation. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.
- (iii) *Interest Income*
Interest income is recognised as it accrues.
- (iv) *Unearned Income*
Unearned income arising from fully prepaid operating lease rentals from the lessee, with respect to the network land lease, is amortised on a net present value basis, reflecting the discount rate associated with the prepayment.
- (v) *Other Revenue*
Other operating revenue is brought to account as it is earned and is recognised when the goods and services are provided.

Leases

- (i) *Transmission Network Prescribed Assets*
All transmission network prescribed electricity assets, excluding land were leased under a finance lease, effective 31 October 2000.

Lease rentals were fully prepaid by the lessee to the Treasurer. Prepaid lease rentals received in excess of the book value of the prescribed network assets are recognised as profit on the finance lease.
- (ii) *Transmission Network Land Assets*
All transmission network land prescribed electricity assets were leased under an operating lease, effective 31 October 2000.

Lease rentals were fully prepaid by the lessee to the Treasurer which gives rise to both a receivable from the Treasurer and unearned income in the Corporation.

Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, unless they relate to qualifying assets.

Taxation

The Treasurer of South Australia has issued a determination pursuant to the Schedule to the *Public Corporations Act 1993* whereby the Corporation is not subject to Commonwealth income tax equivalents for the period from 1 July 2000.

Foreign Currency Translation

- (i) *Transactions*
Foreign currency transactions were initially translated into Australian currency at the rate of exchange at the date of the transaction. At year-end amounts payable and receivable in foreign currencies were translated to Australian currency at rates of exchange current at that date. Resulting exchange differences were brought to account in determining the profit or loss for the year.

(ii) Specific Commitments

Hedging was undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or losses arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions were deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses were brought to account in the financial year in which the exchange rates change. Gains or losses arising at the time of entering into such hedging transactions were brought to account in the Statement of Financial Performance over the lives of the hedges.

If the hedging transaction was terminated prior to its maturity date and the hedged transaction still expected to occur, deferral of any gains and losses that arose prior to termination continued and those gains and losses were included in the measurement of the hedged transaction.

In those circumstances where a hedging transaction was terminated prior to maturity because the hedged transaction no longer was expected to occur, any previously deferred gains and losses were recognised in the Statement of Financial Performance on the date of termination.

(iii) General Commitments

Exchange gains or losses on other hedge transactions were brought to account in the Statement of Financial Performance in the financial year in which the exchange rates change. Gains or losses arising on entry into hedges of general commitments were brought to account at the time of entry into the hedges and were amortised over the lives of the hedges.

Inventories

Inventories were valued at the lower of cost and net realisable value. Costs were assigned to inventory on a weighted average cost basis. A provision for inventory write-down was raised to cover the estimated value of excess and obsolete inventory.

Receivables*Rental Receivable from the Treasurer*

Receivable from the Treasurer represents amounts owing from the Treasurer with respect to fully prepaid operating lease rentals received by the Treasurer in relation to the lease of the land assets.

The receivable from the Treasurer is reduced each year to the extent of dividends declared to the Treasurer by the Corporation, arising from the amortisation of the unearned income.

Recoverable Amount of Non-Current Assets

The recoverable amount of an asset was the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the Asset Revaluation Reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the Statement of Financial Performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate, unless this cannot be reliably determined. In such cases the discount rate used is the Australian Commonwealth Government Bond rate of similar maturity.

In accordance with the provisions of the South Australian Department of Treasury and Finance Accounting Policy Statement 3 'Revaluation of Non-Current Assets' the recoverable amounts test, prescribed in Australian Accounting Standard AAS 10 'Accounting for the Revaluation of Non-Current Assets' can only be applied to physical non-current assets which are held for their value in use where the responsible Minister has directed in writing that the asset is not to be replaced.

Property, Plant and Equipment

The Corporation has elected to early adopt the revised Australian Accounting Standard AAS 38 'Revaluation of Non-current Assets'.

(i) Acquisition

Items of property, plant and equipment were initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the Corporation included the cost of materials, direct labour and other associated costs and where appropriate borrowing costs.

Maintenance, repair costs and minor items (ie items acquired with a cost less than two thousand dollars) were immediately expensed at the date of purchase.

(ii) Revaluation

Major classes of physical non-currents assets were revalued at least once every three years to reflect assessments of their deprival value. Deprival value is measured as written down current cost. Revaluation increments are taken to the Asset Revaluation Reserve.

As required by the South Australian Department of Treasury and Finance Accounting Policy Statement Number 7 'Depreciation of Non-Current Assets', for assets revalued by reference to a current price for a new asset, separate disclosure is made of the new asset price and the deduction made therefrom to reflect the consumed service potential of the asset.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

Electricity Supply Industry

(iii) 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 of the year of disposal.

(iv) Depreciation of Property, Plant and Equipment

The net cost or revalued amount of each item of Property, Plant and Equipment (excluding land and easements over land) was depreciated on a straight-line basis over its expected useful life commencing from the time the asset was commissioned.

The expected useful lives are as follows:

	Years
Transmission system - Line	55
Transmission system - Substation	10-55
Transmission system - OCS	5-10
Transmission system - Telecommunication	15-55
Plant, tools and office equipment	5-10
Buildings	30

Depreciation rates for classes of assets are reviewed annually and, if necessary, adjusted so that they reflect the most recent assessments of useful life. Where asset lives are revised the written down value of the asset is depreciated over its revised remaining life.

Leases

Payments made under operating leases were charged as an expense in the periods in which they are incurred.

Payables

(i) Trade and Other Creditors

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

(ii) Treasurer's Clearing Account

Represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

Borrowings

Borrowings were recognised when issued at the amount of the net proceeds received. Interest is recognised as an expense on an effective yield basis. Interest was accrued over the period it became due and was recorded as part of interest payable.

Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts was in accordance with the accounting policy note on foreign currency translation.

Employee Entitlements

(i) Annual Leave

A liability for annual leave was recognised and measured as the amount unpaid at year-end at current pay rates including all on-costs in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service leave was previously recognised, and was measured as the present value of expected future payments to be made in respect of services provided by employees up to year end. Consideration was given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments, including all on-costs, were discounted using interest rates on Australian Commonwealth Government Bond Rate with terms to maturity that matched, as closely as possible, the estimated future cash outflows.

Employee Retirement Benefits

A liability in respect of the unfunded employer share of employee retirement benefits was previously recognised, and was measured as the present value of the estimated employer financed share of the benefits. The estimation process used benefits based on salaries and contribution accumulations projected ahead, coupled with various assumptions about the frequency of benefit payments and the extent to which options, such as commutation of pensions were exercised. Pension payments, where applicable, were projected ahead using assumed rates of pension increases and mortality. The projected future payments were then discounted to present value at a discount rate that reflected assumed future investment earnings rates.

Site Restoration

The Corporation was subject to a number of environmental requirements under the *Environmental Protection Act SA 1993*, the PCB Management Plan and other obligations.

A provision was maintained at a level considered adequate to cover future costs associated with these obligations, to the extent that the Corporation had a present obligation that was reliably measurable. The provision was recognised at the net present value of future cash flows where the effect of discounting was material.

Cash

For the purposes of the Statement of Cash Flows, cash includes cash deposits that are readily convertible to cash on hand, excluding deposits held for the purpose of the Cross Border Lease, net of outstanding bank overdrafts.

Rounding

All values expressed in the notes are to the nearest thousand dollars unless otherwise specified.

2. Revenue from Transmission of Electricity		2001	2000
		\$'000	\$'000
Entry point charges		954	3 707
Exit point charges		7 048	28 744
Demand component		8 115	36 563
Variable use of system		8 447	36 520
Common service charge		5 125	21 403
Excess demand		-	325
Other		890	-
		30 579	127 262
3. Other Revenue			
System control		346	1 514
Technology services		163	700
National Electricity Market operations		209	1 513
Other revenue		229	882
Superannuation adjustments ⁽¹⁾		180	3 635
Inventory adjustment ⁽²⁾		-	276
		1 127	8 520
(1) Adjustments to superannuation provision to reflect provisions as advised by the actuary. The adjustment includes the effect of moving from public sector to private sector rules, and the transfer of pensioners and ex-employees to the State Superannuation Scheme.			
(2) Inventory records were updated for zero dollar value items.			
4. Expenses from Ordinary Activities		2001	2000
4.1 Internal Labour	Note	\$'000	\$'000
Employee expenses:			
Annual leave		593	906
Long service leave		(225)	254
Employees' retirement benefits		98	763
Other employee expenses		1 927	9 300
		2 393	11 223
4.2 Consultants and Contractors			
Consultants fees		420	1 277
Contractors fees		322	1 291
		742	2 568
4.3 Materials			
Office expenses		33	749
Other materials		186	1 543
		219	2 292
4.4 Service Contracts			
Line maintenance		509	3 032
Substation maintenance		866	4 191
IT and Telecommunications maintenance		818	2 410
Gas turbine support		377	1 886
Other service contracts		131	562
		2 701	12 081
4.5 Other Services			
Audit fees	28	33	67
Property and building services		243	702
Regulatory charges		472	1 603
Loss on disposal of property, plant and equipment	14	-	1 027
Other		646	2 309
		1 394	5 708
5. Depreciation			
Depreciation of property, plant and equipment:			
Depreciation of transmission lines		2 816	12 487
Depreciation of substations		2 893	11 191
Depreciation of OCS		230	685
Depreciation of telecommunications		159	678
Depreciation of buildings		15	(44)
Depreciation of plant, tools and office equipment		274	1 169
		6 387	26 166

Electricity Supply Industry

6. Borrowing Costs		2001	2000
Interest expense:		\$'000	\$'000
RESI Corporation (formerly ETSA Corporation) borrowings		-	14 889
SAFA overnight borrowings		10 360	3 146
SAFA long-term borrowings		2 012	540
Other parties: Borrowings		-	2
Other parties: Superannuation interest		235	1 691
Other parties: Other		521	376
Less: Capitalised borrowing costs		(115)	(2 263)
Interest income - Other		(519)	(424)
		12 494	17 957
7. Other Expenses			
Voluntary separation packages ⁽¹⁾		32	4 774
Millennium issue rectification costs		-	1 389
Storm damage ⁽²⁾		-	783
		32	6 946
<p>(1) As part of a management restructure, voluntary separation packages were offered and accepted by 16 employees during 1999-2000. The incentive payment and superannuation components of the packages of \$4.8 million were previously treated as an abnormal item. Additional payments comprising long service and annual leave were funded from existing provisions. During the year ended 30 June 2000, \$329 000 of accrued leave was paid to employees who have taken voluntary separation packages as part of the management restructure.</p> <p>(2) Costs associated with the repair of transmission lines and towers resulting from severe storm damage.</p>			
8. Income Tax Expense		2001	2000
Prima facie income tax expense calculated at 34 percent (2000: 36 percent) on the profit from ordinary activities	Note	\$'000	\$'000
Increase in income tax expense due to:		-	18 303
Other non-deductible expenses		-	11
Decrease in income tax expense due to:			
Restatement of deferred tax balances due to change in company tax rate		-	(542)
Income tax over provided in prior year		-	(597)
Write back of deferred income tax balance		(8 554)	-
Income tax (benefit) expense relating to ordinary activities		(8 554)	17 175
<p>The Treasurer of South Australia has issued a determination pursuant to the Schedule to the <i>Public Corporations Act 1993</i> whereby the Corporation is not subject to Commonwealth income taxation equivalents for the period from 1 July 2000.</p>			
9. Extraordinary Items			
Profit on lease of prescribed transmission network assets	30	65 969	-
Loss on sale of assets and liabilities	30	(14 980)	-
		50 989	-
10. Cash Assets			
Cash on hand		-	3
Cash deposits		1 041	-
United States dollars cash deposits		8 707	6 951
		9 748	6 954
11. Receivables			
Current:			
Customer accounts		-	8 568
Provision for doubtful debts		-	(60)
Other debtors		6	-
		6	8 508
Non-Current:			
Transfer consideration		-	12 358
Rental receivable from the Treasurer		156 061	-
		156 061	12 358
12. Other Current Assets			
Prepayments		-	540
13. Inventories			
Materials for construction, general purpose and maintenance - At cost		-	4 082

14. Property, Plant and Equipment

	Cost or Valuation		Accumulated Depreciation		Written Down Value	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Transmission system - Lines:						
At independent valuation 1 July 1998 ⁽¹⁾	-	660 304	-	307 660	-	352 644
At cost	-	16 787	-	85	-	16 702
	-	677 091	-	307 745	-	369 346
Transmission system - Substations:						
At independent valuation 1 July 1998 ⁽¹⁾	-	526 931	-	288 218	-	238 713
At cost	-	66 593	-	1 900	-	64 693
	-	593 524	-	290 118	-	303 406
Transmission system - OCS:						
At independent valuation 1 July 1998 ⁽¹⁾	-	7 000	-	1 947	-	5 053
At cost	-	554	-	48	-	506
	-	7 554	-	1 995	-	5 559
Transmission system - Telecommunications:						
At independent valuation 1 July 1998 ⁽¹⁾	-	8 000	-	3 111	-	4 889
At cost	-	2 291	-	234	-	2 057
	-	10 291	-	3 345	-	6 946
Total Transmission system:						
At independent valuation 1 July 1998 ⁽¹⁾	-	1 202 235	-	600 936	-	601 299
At cost	-	86 225	-	2 267	-	83 958
	-	1 288 460	-	603 203	-	685 257
Land and buildings:						
Easements	3 075	3 075	-	-	3 075	3 075
Land	10 794	2 694	-	-	10 794	2 694
Buildings	-	1 819	-	121	-	1 698
	13 869	7 588	-	121	13 869	7 467
Other plant and equipment:						
Plant and tools	-	2 160	-	1 130	-	1 030
IT assets	-	4 841	-	1 869	-	2 972
Furniture and fittings	-	522	-	132	-	390
Office equipment	-	348	-	240	-	108
	-	7 871	-	3 371	-	4 500
Capital work in progress (at cost):						
Transmission system	-	5 251	-	-	-	5 251
Other	-	5 938	-	-	-	5 938
	-	11 189	-	-	-	11 189
Totals	13 869	1 315 108	-	606 695	13 869	708 413

- (1) The independent valuation performed at 1 July 1998 was made in accordance with a policy of regular revaluations and was on the basis of deprival value. Further details of the policy and basis of revaluations can be found in Note 1 to the financial statements. As required by APS 7 'Depreciation of Non-Current Assets', separate disclosure is made of the current replacement price of a new asset (under the heading 'Cost or Valuation') and the consumed service potential of the existing asset (under the heading 'Accumulated Depreciation'). The independent valuation was performed by Sinclair Knight Merz Pty Ltd.

	2001 \$'000	2000 \$'000
Reconciliations		
Transmission system - Lines:		
Carrying amount at beginning of the year	369 346	366 067
Additions	56	16 126
Sold/leased	(366 586)	(648)
Transfers in	-	288
Transfers out	-	-
Depreciation	(2 816)	(12 487)
Carrying amount at end of the year	-	369 346
Transmission system - Substations:		
Carrying amount at beginning of the year	303 406	276 103
Additions	232	39 925
Sold/leased	(292 645)	(259)
Transfers in	-	19
Transfers out	(8 100)	(1 191)
Depreciation	(2 893)	(11 191)
Carrying amount at end of the year	-	303 406
Transmission system - OCS:		
Carrying amount at beginning of the year	5 559	5 976
Additions	-	268
Sold/leased	(5 329)	-
Transfers in	-	-
Transfers out	-	-
Depreciation	(230)	(685)
Carrying amount at end of the year	-	5 559

Electricity Supply Industry

Reconciliations (continued)

Transmission system - Telecommunications:

	Note	2001 \$'000	2000 \$'000
Carrying amount at beginning of the year		6 946	7 119
Additions		164	527
Sold/leased		(6 951)	(22)
Transfers in		-	-
Transfers out		-	-
Depreciation		(159)	(678)
Carrying amount at end of the year		<u>-</u>	<u>6 946</u>

Total Transmission system:

Carrying amount at beginning of the year		685 257	655 265
Additions		452	56 846
Sold/leased		(671 511)	(929)
Transfers in		-	307
Transfers out		(8 100)	(1 191)
Depreciation		(6 098)	(25 041)
Carrying amount at end of the year		<u>-</u>	<u>685 257</u>

Land and buildings:

Carrying amount at beginning of the year		7 467	7 434
Additions		-	4
Sold/leased		(1 683)	-
Transfers in		8 100	-
Transfers out		-	(15)
Depreciation		(15)	44
Carrying amount at end of the year		<u>13 869</u>	<u>7 467</u>

Other plant and equipment:

Carrying amount at beginning of the year		4 500	3 268
Additions		734	3 162
Sold/leased		(4 960)	(86)
Transfers in		-	-
Transfers out		-	(675)
Depreciation		(274)	(1 169)
Carrying amount at end of the year		<u>-</u>	<u>4 500</u>

Capital work in progress (At cost):

Carrying amount at beginning of the year		11 189	21 799
Additions		162	48 529
Sold/leased		(11 351)	-
Transfers in		-	-
Transfers out		-	(59 139)
Depreciation		-	-
Carrying amount at end of the year		<u>-</u>	<u>11 189</u>

Sales of property, plant and equipment in the ordinary course of business have given rise to the following losses:

Gross proceeds from the sale of property, plant and equipment		-	-
Less: Written down value of assets sold/disposed		-	1 027
(Loss) on sale/disposal of property, plant and equipment	4.5	<u>-</u>	<u>(1 027)</u>

15. Other Non-Current Assets

Future income tax benefit		-	9 794
		<u>-</u>	<u>9 794</u>

The future income tax benefit is comprised of:

Annual leave		-	397
Long service leave		-	947
Superannuation		-	5 555
Interest payable		-	2 062
Disaggregation and restructure		-	546
Site restoration		-	70
Other		-	217
		<u>-</u>	<u>9 794</u>

16. Payables

Current:			
Trade creditors		74	10 466
Interest payable		-	6 064
		<u>74</u>	<u>16 530</u>

Non-Current:

Amounts payable to the Treasurer	25(c)	973	-
		<u>973</u>	<u>-</u>

Amounts payable to the Treasurer represents the balance of amounts cleared against the Treasurer's Clearing Account as part of the accounting treatment for the sale and lease proceeds received by the Treasurer.

17. Borrowings		2001	2000
Current:		\$'000	\$'000
Bank overdraft		-	1 293
Overnight borrowings from SAFA - Unsecured		-	72 857
		<hr/>	<hr/>
		-	74 150
Non-Current:			
Borrowings from SAFA - Unsecured		-	156 139
		<hr/>	<hr/>
		-	156 139

With effect from 1 December 2000 all SAFA borrowings were assumed by the Treasurer of South Australia.

18. Provisions			
Current:			
Annual leave		-	1 209
Income tax		-	5 541
Employee retirement benefits		-	6 308
Long service leave		-	650
Restructure provision - Disaggregation ⁽¹⁾		-	90
Other provision - Voluntary separation packages		-	1 515
Self-insurance		-	148
Site restoration		-	206
		<hr/>	<hr/>
		-	15 667

(1) Restructure Provision

A provision for restructuring was established by way of Ministerial Transfer Orders dated 12 October 1998 and 30 July 1999, made by the Treasurer of South Australia pursuant to Schedule 3 to the *Electricity Corporations Act 1994*. The costs associated with disaggregation, such as voluntary separation packages directly attributable to the disaggregation process, were allowed for out of the provision, with the year end provision comprising:

		2001	2000
		\$'000	\$'000
Voluntary separation packages		-	90
		<hr/>	<hr/>
		-	90
Non-Current:			
Financing arrangement costs		8 707	6 951
Employee retirement benefits		-	11 272
Long service leave		-	2 426
Provision for deferred income tax		-	8 554
		<hr/>	<hr/>
		8 707	29 203
		<hr/>	<hr/>
Total Provisions		8 707	44 870

19. Unearned Income			
Total prepaid lease rentals		156 061	-
Less: Accumulated amortisation		-	-
		<hr/>	<hr/>
		156 061	-
Current		-	-
Non-current		156 061	-
		<hr/>	<hr/>
		156 061	-

Unearned income represents the fully prepaid lease rentals received on the operating lease of the network land assets. Unearned income is being amortised over the life of the lease (200 years) from 31 October 2000, on a net present value basis, reflecting the discount rate associated with the prepayment.

The annual amortisation amount does not become significant until year 2100.

20. Contributed Equity		2001	2000
		\$'000	\$'000
Balance at beginning of the year		142 346	142 346
Return of equity		(142 346)	-
		<hr/>	<hr/>
Balance at End of the Year		-	142 346

21. Reserves			
Asset revaluation reserve:			
Balance at beginning of the year		269 298	269 920
Transfer to asset realisation reserve		-	(622)
Transfer to retained profits		(269 298)	-
Balance at end of the year		<hr/>	<hr/>
		-	269 298
Asset realisation reserve:			
Balance at beginning of the year		643	21
Transfer from asset revaluation reserve		-	622
Transfer to retained profits		(643)	-
Balance at end of the year		<hr/>	<hr/>
		-	643
Total Reserves		-	269 941

22. Retained Profits	Note	2001	2000
		\$'000	\$'000
Retained profits at beginning of the year		46 673	68 007
Net profit		64 887	33 666
Transferred from asset revaluation reserve		269 298	-
Transferred from asset realisation reserve		643	-
Dividend from retained profits	23	(367 632)	(55 000)
Retained Profits at End of the Year		13 869	46 673
23. Dividends			
Special dividend and distribution - From retained profits		367 632	-
Special dividend and distribution - Return of equity		142 346	-
Ordinary dividend - From retained profits		-	55 000
		509 978	55 000

Dividends owing to the Treasurer in the current year were settled against the Treasurer's receivables and payables. The dividend in the prior year was paid to the Corporation's parent, RESI Corporation.

24. Commitments for Expenditure			
(a) Operating Lease Commitments			
Total lease expenditure contracted for at year end but not provided for in the accounts payable:			
No later than one year		-	3 161
Later than one year and not later than five years		-	9 314
Later than five years		-	418
Total Operating Lease Commitments		-	12 893
(b) Capital Commitments			
Total capital expenditure contracted for at year end but not provided for in the accounts payable:			
No later than one year		-	7 773
Later than one year and not later than five years		-	-
Later than five years		-	-
Total Capital Commitments		-	7 773

In the previous period the Corporation was committed to expenditure on rental properties under lease and gas turbine charges under contract. The expenditure was accounted for as incurred. Payments made under the gas turbine contract comprised a base amount plus movements in the Consumer Price Index.

25. Notes to the Statement of Cash Flows			
(a) Reconciliation of Cash			
For the purpose of the Statement of Cash Flows, Cash includes cash on hand and at bank net of outstanding bank overdrafts. 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	10	1 041	3
Overdraft	17	-	(1 293)
		1 041	(1 290)
(b) Reconciliation of Profit (Loss) from Ordinary Activities after Related Income Tax to Net Cash provided by (used in) Operating Activities			

Profit from ordinary activities after related income tax expense		13 898	33 666
Add (Less): Non-cash items:			
Capitalised interest		8 123	-
Depreciation		6 387	26 166
Write back of deferred tax balances		(8 554)	-
Losses on disposal of property, plant and equipment		-	1 027
Net Cash (used in) Operating Activities before change in Assets and Liabilities		19 854	60 859
(Increase) in cash deposits		-	(1 135)
(Increase) in prepayments		(62)	(540)
Decrease (Increase) in receivables		(9 335)	522
(Increase) in inventories		(56)	(806)
Decrease (Increase) in future income tax benefit		-	1 565
Increase in doubtful debts provisions		(25)	60
(Decrease) Increase in payables		8	(9 242)
Increase in accrued interest payable		(2 082)	1 176
Increase in employee entitlement provisions - Interest accrual		235	1 691
(Decrease) Increase in employee entitlement provision		(7 306)	(4 404)
(Decrease) Increase in other provisions		(1 849)	(521)
Increase (Decrease) in provision for financing arrangement costs		-	861
(Decrease) in provision for income tax		(5 541)	(1 965)
Increase in deferred income tax		-	3 859
Superannuation adjustment		-	(226)
Inventory adjustment		-	(277)
Net Cash (used in) provided by Operating Activities		(6 159)	51 477

(c) Settlement of Amounts with Treasurer	Note	2001	2000
As part of the sale and wind up of residual balances in the Corporation certain amounts owing between related entities were set off and did not result in cash flows. These amounts are as follows:		\$'000	\$'000
Consideration received by the Treasurer for lease of the transmission network		750 514	-
Consideration received by the Treasurer for the assets and liabilities sold		392	-
RESI Corporation balances assumed by the Treasurer		12 358	-
SAFA Borrowings assumed by the Treasurer		(253 159)	-
Cash transferred from RESI GAS Pty Ltd		(1 100)	-
Dividends paid		(509 978)	-
	16	(973)	-

26. Remuneration of Directors

Total income paid or payable, or otherwise made available, to all directors of the Corporation from the Corporation or any related party.

194	373
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Number of directors of the Corporation whose total income falls within the following bands:

	2001	2000
	Number of Directors	Number of Directors
\$0 - \$9 999	3	-
\$20 000 - \$29 999	2	-
\$30 000 - \$39 999	-	2
\$50 000 - \$59 999	1	-
\$80 000 - \$89 999	1	1
\$230 000 - \$239 999	-	1

Director's income does not include insurance premiums paid by the Corporation or related parties in respect of directors and officers liability insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

The current directors are employees of the Department of Treasury and Finance. Accordingly in accordance with Government guidelines no current director of the Corporation received any remuneration in respect of their duties as director of the Corporation.

27. Remuneration of Employees

The aggregate remuneration received or receivable from the Corporation or related parties by employees, including those on contract, whose total income exceeds \$100 000.

2001	2000
\$'000	\$'000
2 273	3 998

Number of employees whose total remuneration received or due and receivable from the Corporation or related parties in relation to the financial year falls within the following bands:

	2001	2000
	Number of Employees	Number of Employees
\$100 000 - \$109 999	1*	4
\$110 000 - \$119 999	-	2
\$120 000 - \$129 999	1*	1
\$130 000 - \$139 999	-	6*
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	-	2
\$160 000 - \$169 999	-	1*
\$170 000 - \$179 999	2*	1*
\$180 000 - \$189 999	3*	1*
\$200 000 - \$209 999	1*	-
\$210 000 - \$219 999	2*	2*
\$220 000 - \$229 999	1*	1*
\$230 000 - \$239 999	-	1
\$250 000 - \$259 999	-	1*
\$260 000 - \$269 999	1*	1*

Employee's income does not include insurance premiums paid by the Corporation or related parties in respect of directors and officers liability insurance contracts, as the insurance policies do not specify premiums paid in respect of individual employees.

* The above remuneration details include payment of separation packages plus payouts of accrued annual leave and long service leave entitlements to 12 employees who retired during the period (2000: 11).

With effect 31 October 2000 all employees of the Corporation were transferred to the purchaser.

From 1 November 2000 the Corporation has been managed by officers of the Department of Treasury and Finance. Consequently from this date there are no direct employees or employee remuneration charged for the Corporation.

28. Auditors' Remuneration

Amounts received or due and receivable by the auditors for:

2001	2000
\$'000	\$'000
33	67

Auditing the accounts

The auditors provided no other services to the Corporation in the current or prior year.

29. Superannuation Commitments**Year ended 30 June 2001**

As part of the sale of the business that occurred during the period, all remaining superannuation commitments in respect of the Corporation's employees were transferred to the purchaser. The unfunded superannuation liability amount transferred was \$11 170 000 effective as at the date of the employee transfer (31 October 2000). The unfunded superannuation liability is to be funded by the purchaser within a five year period commencing 31 October 2001. Accordingly as at 30 June 2001 there are no superannuation commitments.

29. Superannuation Commitments (continued)

Year ended 30 June 2000

The majority of the employees of the Corporation were members of the Electricity Industry Superannuation Scheme (the Scheme). Liabilities arose to the Corporation as an employer, as a result of these memberships. Additionally, the Corporation contributed towards various accumulation superannuation schemes for certain employees and directors, at levels at or above that required to ensure no superannuation guarantee charge liabilities arose.

The Scheme is managed by the Electricity Industry Superannuation Board, a separate legal entity which is independent from the Corporation, operating pursuant to the *Electricity Corporations Act 1994*.

The Scheme provides a mixture of defined benefits and accumulation benefits.

Members contribute to the Scheme at varying percentages of their income on either a post-tax basis or a pre-tax salary-sacrifice basis.

The Corporation made contributions to the Scheme towards the cost of insurance which covered the risk-element of benefits payable to a member arising upon disability or death. The Corporation's liability under the Scheme arising upon retirement or resignation of members was not progressively funded, but was paid as the benefits fell due. A provision for this liability was recognised in the financial statements, based on actuarial assessments carried out by Mr A R Archer FIAA, as a Principal of William M Mercer Pty Ltd.

Provision	2001	2000
	\$'000	\$'000
The provisions as at this date are in respect of current employees	-	17 580
The provision is comprised of:		
Lump sum	-	4 240
Pension	-	12 260
RG division	-	780
Accumulation division	-	300

30. Sale of Assets and Liabilities

The following assets and liabilities as at 20 September 2000 were sold on 31 October 2000 for a consideration of \$392 000 that resulted in a loss on sale of \$14.98 million

	20.09.2000
	\$'000
Current Assets:	
Petty cash	3
Receivables - Customer accounts	17 896
Provision for doubtful debts	(35)
Prepayments	602
Non-Current Assets:	
Inventories	4 138
Property, plant and equipment	6 334
Future income tax benefits	9 793
Total Assets	<u>38 731</u>
Current Liabilities:	
Accounts payable - Trade creditors	8 395
Borrowings - Bank overdraft	59
Provisions - Employee retirement benefits	2 250
Provisions - Annual leave	1 076
Provisions - Long service leave	100
Provisions - Self insurance	123
Provisions - Site restoration	168
Non-Current Liabilities:	
Provisions - Employee retirement benefits	8 720
Provisions - Long service leave	2 468
Total Liabilities	<u>23 359</u>
Net Assets	<u>15 372</u>

In addition to the sale of net assets above, pursuant to the sale/lease agreements under the *Electricity Corporations (Restructuring and Disposal) Act 1999*:

- in the year ended 30 June 2001 fully prepaid finance lease rentals of \$750.514 million were received with respect to the lease of the transmission network assets with a book value of \$684.545 million, representing a profit on the lease of \$65.969 million.
- in the year ended 30 June 2001 fully prepaid operating lease rentals of \$156.061 million were received with respect to the lease of the transmission network land with a book value of \$13.869 million.

The prepaid lease rentals were treated as unearned income.

31. Related Party Transactions**Directors**

The names of persons who were directors of the Corporation at any time during the financial year are as follows:

John T Hill (Chairman) (appointed 1 February 2001)
 Luigi S DeGennaro (appointed 1 February 2001)
 Kevin M Cantley (appointed 1 February 2001)
 David J Lindh (term expired 31 January 2001)
 Clive K Hall (term expired 31 January 2001)
 David B McNeil (term expired 31 January 2001)
 Kym M Tothill (resigned 31 October 2000)

Transactions of Directors and Director-Related Entities

Transmission Lessor Corporation has provided sponsorship to the following director-related entities:

- Mr D J Lindh is the Chairman of the Adelaide International Horse Trials.

Apart from the disclosure above there were no transactions during the year with directors or their director related entities.

In accordance with Government guidelines the current public servant directors of the Corporation do not receive any remuneration in respect of their duties as director of the Corporation.

Loans to Directors

There have been no loans advanced to directors of the Corporation during the financial year.

The total of loans outstanding to directors at year end is nil.

Other Related Entities

The Corporation has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal trading terms.

Controlling Entity

The Corporation's Australian parent entity is RESI Corporation a public corporation constituted pursuant to the *Electricity Corporations Act 1994*.

The Corporation's ultimate Australian parent entity is the Treasurer of the State of South Australia, as a body Corporate.

Subsidiary Company

Transmission Leasing Pty Ltd, which holds assets of one dollar and generates no income in its own right, is a subsidiary company of the Corporation incorporated in Australia. The principal activity of Transmission Leasing Pty Ltd is as party to a financing arrangement over the transmission assets owned by the Corporation.

32. Contingent Assets

On 31 October 2000 the Corporation leased its transmission network prescribed assets under a 200 year finance lease. The lease agreement makes a provision for the potential sale of these assets in the future, to the lessee, if the Corporation obtains lawful right to sell its right, title and interest in the assets. If this right is not obtained or the lessee's option to purchase is not exercised the prescribed network assets will be returned to the Corporation or its nominee at the end of the lease term.

In the event that the lessees default under their respective leases, they are obliged to return the asset to the Corporation. Although at that time an asset will be recognised, no amount has been recognised on the statement of financial position as the likelihood of default eventuating is remote.

Under the terms of the Transmission Network Land Lease and Transmission Network Lease certain costs of the Corporation that are associated with the operation of the Transmission Network Land and Transmission Network are able to be reimbursed from the lessee or on charged directly to the lessee.

As at the date of this report no such amount for reimbursement from the lessee exists and therefore has not been brought to account in the financial statements.

33. Contingent Liability

The former business operations of the Corporation created potential exposure to environmental matters, including the potential for oil spills, which the Corporation may have been required to remedy in the future. As a result of the sale and lease of the business during the reporting period all environmental obligations in respect of the former business operations were transferred to the purchaser/lessee.

The Corporation has guaranteed certain payments and other obligations of an unrelated overseas-based entity to third parties. These obligations arise from a financing arrangement over Transmission assets with unrelated overseas based investors entered into by the Corporation, for which it received a facilitation fee. As part of these arrangements the Corporation has provided limited indemnities to third parties. The risk, which is considered remote and not possible to quantify in any meaningful way, relates to amounts that would become payable to the investors in the event of early termination of the arrangement. No amount has been recognised, because it is considered unlikely that any liability will arise.

In the unlikely event that the Corporation defaults under the Transmission Network Lease or the Transmission Network Land Lease with respect to its legal entitlement to grant the leases, the Corporation is obliged to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were discharged by the prepaid rents.

33. Contingent Liability (continued)

In the unlikely event that the Corporation defaults under the Transmission Network Lease or the Transmission Network Land Lease with respect to its conduct under the financing arrangement with the unrelated overseas based investors described above, the Corporation would be liable to the lessee under those leases for any consequential loss.

No amount has been recognised as the likelihood of the circumstances of the Corporation default eventuating are remote.

Under the terms of the Transmission Network Leases the lessee can elect to own new assets constructed during the term of the lease which qualify as 'non-transmission assets'. Non-transmission assets are a discrete replacement, modification, alteration, addition or renewal to the network which is outside the ordinary course of maintenance, modification, alteration or renewal, do not form part of the transmission network under a clause of the lease and are not necessary for the lessee to comply with its obligations under the lease.

At the expiry of the lease, non-transmission assets will be automatically transferred and vested in the Corporation or a body nominated by the Corporation for a price equal to the regulatory value of the non-transmission assets as at the lease end date if the Corporation so elects.

34. Economic Dependency

The former business operations conducted by the Corporation to the date of sale and lease of the business transacted with effect on 31 October 2000 was dependant upon the continued safe and reliable operation of the generation and distribution services provided by other electricity industry entities.

All debts incurred by Transmission Lessor Corporation are guaranteed by RESI Corporation, the parent corporation of Transmission Lessor Corporation.

Both RESI Corporation and Transmission Lessor Corporation are instrumentalities of the Crown under the *Crown Proceedings Act 1992*. Accordingly, where a final judgement is given against either of these entities, a Minister or agency of the Crown may be directed by the Governor to satisfy that judgement. Such a direction constitutes sufficient authority for the appropriation of the money necessary to satisfy the judgement from the General Revenue of the State of South Australia or from the funds of the Corporation. To this extent RESI Corporation and Transmission Lessor Corporation have the benefit of an implicit guarantee from the State.

35. Segment Information

The Corporation operated as an electricity transmission business within South Australia from the beginning of the reporting period to the date of sale and lease of the business 31 October 2000. From 1 November the Corporation operates as lessor of the electricity transmission assets in South Australia.

36. Events Subsequent to Balance Date

No event has arisen since 30 June 2001 that would be likely to materially affect the operations or the state of affairs of the Corporation.

JUDGES' PENSIONS SCHEME

FUNCTIONAL RESPONSIBILITY

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established pursuant to the *Judges' Pensions Act 1971* (the Act). The Treasurer is responsible for the payment of contributions from the Government for Scheme members and for the payment of superannuation benefits to members and members' families. The Scheme is non-contributory for members.

The main financial administration arrangements that apply in relation to the Scheme involve a Special Deposit Account (the Account). The Account records as income, contributions and revenue derived from the investment of those monies, and also records as payments from the Account, benefit payments and administration costs.

The investment management responsibility for the Account is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act provides for pension based benefits.

STATUS OF FINANCIAL STATEMENTS

The Treasurer complied with the *Public Finance and Audit Act 1987* by submitting financial statements to the Auditor-General within 42 days of the end of the financial year. The audit, which involves the verification of those financial statements, had not been completed at the time of finalisation of this Report.

The audited financial statements of the Scheme for the year ended 30 June 2001 will be included in a Supplementary Audit Report to Parliament.

MOTOR ACCIDENT COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Motor Accident Commission (the Commission) operates in accordance with the *Motor Accident Commission Act 1992* (formerly the *State Government Insurance Commission Act 1992*).

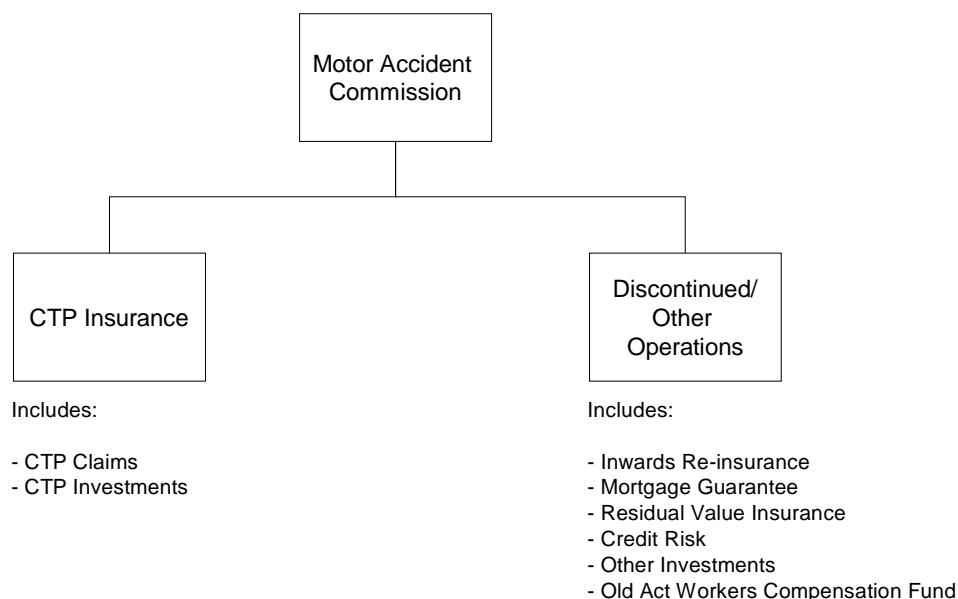
Pursuant to section 18 of the *Motor Accident Commission Act 1992*, the Commission's Charter, which the Minister must prepare in consultation with the Commission, may limit the functions or powers of the Commission. The Charter specifies that the Commission is empowered to undertake the following classes of insurance:

- compulsory third party (CTP) insurance (in accordance with the *Motor Vehicles Act 1959*);
- mortgage insurance, credit risk insurance, credit enhancements, and guarantees and residual value insurance;
- financial risk insurance.

The latter two classes of insurance are in 'run-off' mode.

In addition, the Commission is responsible for the management and finalisation of the 'Old Act, Workers Compensation Fund', transferred to the Commission in accordance with the *SGIC (Sale) Act 1995*. This Fund relates to unresolved claims from workers compensation policies issued under subsection 118(g) of the *Workers Compensation Act 1971* (now repealed).

The functional structure of the Commission, excluding the controlled entities, is as follows:



With the exception of the CTP insurance business, no new policies were underwritten by the Commission for all other insurance activities. These activities are in 'run-off' mode and will cease once the Commission's obligations under the existing policies have expired or have been settled.

The administration and management of the CTP claims insurance business has been contracted to SGIC General Insurance Limited. Investments are managed by a number of external fund managers with the exception of the property portfolio, whose management was returned 'in-house' during 2000-01.

Subsidiary Company and Joint Venture

During the year, the Commission controlled the following company Southern Group Insurance Corporation Limited — a trustee company. See Note 18 to the financial statements for further details on the controlled entities.

SIGNIFICANT FEATURES

Consolidated Operations

- Net profit after income tax was \$13 million (\$18.5 million).
- No dividend was declared (\$10 million) as payable to the South Australian Government at 30 June.

CTP Operations

- Net profit after income tax was \$9.6 million (\$17.2 million).
- Premium revenue decreased by \$5.1 million to \$252.6 million.
- An increase of \$78.3 million in the gross provision for outstanding claims as a result of actuarial assessment (refer Note 1 (f) and 13).
- An increase in actual investment revenue of \$18.8 million.
- An unrealised gain of \$11.1 million (\$32 million) in the market value of investments.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 28(3) of the *Motor Accident Commission Act 1992* provides for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

Scope of Audit

The audit program covered all major financial systems of the Commission and was directed primarily at obtaining sufficient evidence to enable an audit opinion to be formed on the Commission's financial statements. The following aspects of financial activities were included in the audit program:

- investment assets
- investment income
- accounts payable
- receivables
- claims payable
- premiums
- management agreements (CTP)
- provisions for outstanding claims
- actuarial assessments
- reinsurance and other recoveries.

Audit Communications to Management

The audit of the Commission proved to be satisfactory. No significant issues arose during the audit and other matters arising were satisfactorily resolved with management.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Public Governance

The Commission has tailored a governance structure to manage the dichotomous and specialised nature of its business activities. A cornerstone of its operations is management by external contract, with the Commission's key contracts outlined in Note 17 to the Financial Statements.

The Commission has established specific sub-committees of the Board to assist in meeting its governance responsibilities. These are the Audit Committee, Investment Committee, Claims Management Committee and the Remuneration Committee. Each committee has a specific charter and performs important monitoring and review functions in terms of ensuring the performance of the Commission's external managers.

The Corporate Governance Statement describes the responsibilities and functions of the Commission's Directors, the Committees, the internal control framework, as well as the business risks and ethical standards.

Overall Assessment

The audit considered the general internal control environment within which the Commission operates. Aspects covered included the reliability of identified key internal controls, the monitoring of performance and compliance with documented policies and procedures.

The key external management agreements commanded much of Audit's attention. This extended to the basis of reporting, compliance and the effectiveness of monitoring and review mechanisms.

The overall assessment of the Commission's internal control structure was that it was satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Motor Accident Commission 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 Motor Accident Commission 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

CTP Operations

The CTP operations represent the largest activity of the Commission's overall business. Some of the more salient considerations are covered hereunder:

Net Profit

The net profit was \$9.6 million (\$17.2 million), having declined 44 percent. This reflected a combination of deterioration in the underwriting result and a fall in investment revenue (realised and unrealised).

Underwriting Result

The underwriting result was a loss of \$ 72.4 million (\$58.7 million) and reflects premium revenues less claims expenses (adjusted for recoveries relating to reinsurance and other underwriting costs).

Net claims expense increased by \$5.8 million (2 percent), while net premiums fell by \$5.2 million (2 percent).

Investment Result

While net investment revenues (including realised gains) increased to \$74.7 million (\$56.1 million) these gains were more than offset by a fall in unrealised investment gains as at 30 June. The latter fell by \$20.8 million (65 percent) to \$11.1 million (\$32 million).

Operating Performance

A useful indicator in analysing operating performance is the Claims Incurred Ratio, which is measured by the claims expense incurred as a percentage of premium revenues.

A trend analysis over a period of financial years for each year’s claims incurred expense reflects both the risks borne in the current reporting period and the reassessment of risks borne in all previous reporting periods (ie not already factored in those reporting periods’ provisions for claims incurred but not reported and claims incurred but not sufficiently recognised).

Accordingly, a focus on a trend over time rather than the experience of a single reporting period is likely to provide greater insight than the experience of a single reporting period.

Claims Incurred Ratios

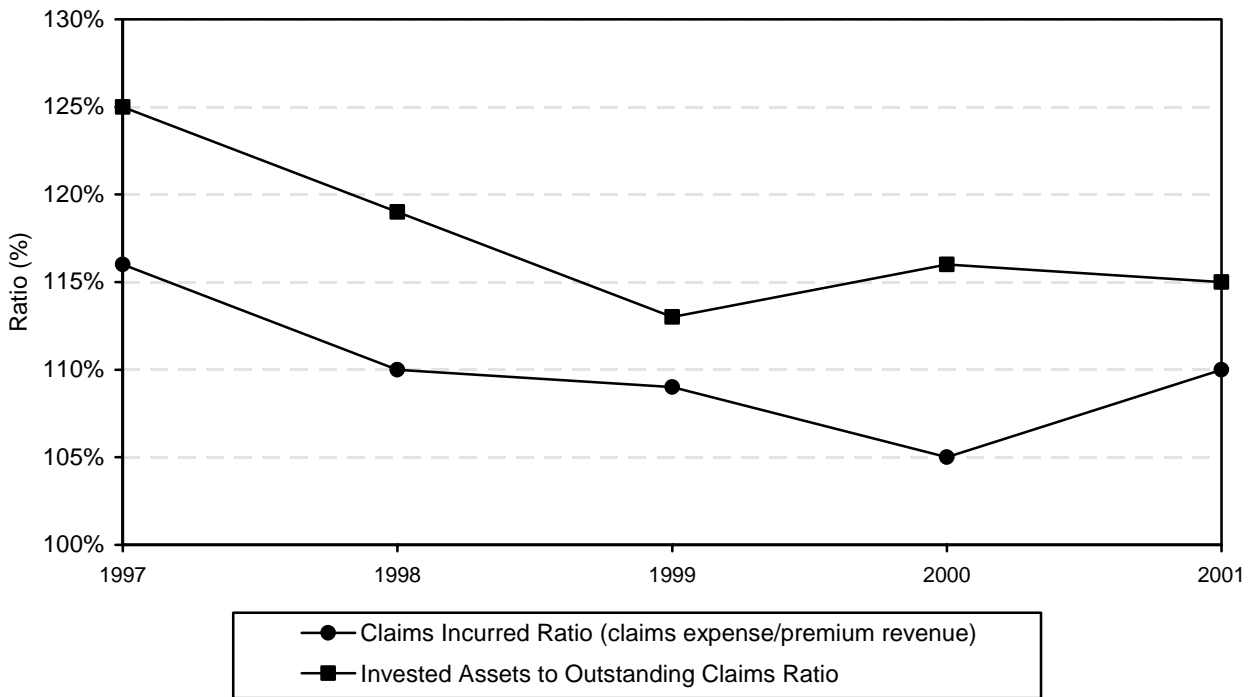


From the graph above it can be seen that since 1997 the ratio has exceeded 100 percent meaning that claims incurred exceeded premium revenues. While the ratio has fallen marginally from 1997 it has remained relatively constant in the succeeding years. Even when the effect of reinsurance expense and related recoveries revenues are taken into account, the adjusted ratio (net claims incurred ratio) remains in excess of 100 percent for the period considered.

Financial Position

The Commission has maintained a relatively stable ratio of invested assets to claims liability over the previous 5 years. This is measured by the relationship between the Claims Incurred Ratio (referred to above) and the Invested Assets to Outstanding Claims Ratio. Relatively high Claims Incurred Ratios will dictate that the Commission maximise its return on invested assets, in the absence of increases in premiums.

Financial Ratios



The graph above reflects the *ratio of invested assets to claims liability* over the 5 years from 1997. With a high *claims incurred ratio*, there is an ever-present requirement on the Commission to seek to maximise its return on invested assets, but to do so without jeopardising solvency levels.

While the *ratio of invested assets to claims liability* has decreased from 1997 it has remained relatively strong and was at 115 percent for the year ended 30 June 2001.

In this context, it is relevant to note that in January 2001 the Commission endorsed a revised strategic asset allocation representing a shortening in duration of the matching policy, which had been in place since January 1996. The liability matching policy relates to the matching of the value of liabilities with interest rate movements and the level of fixed interest assets held.

This revision in the strategic asset allocation followed the findings on an independent actuarial review of aspects of the Commission’s investment policies.

Reserving Levels

As at 30 June 2001, the CTP Fund had reserves of \$97.9 million (\$88.3 million). After deducting the future income tax benefit of \$24.2 million (\$24.7 million), the reserves for solvency purposes are \$94.4 million (\$79.7 million).

This represents 9.1 percent (8.3 percent) of the total outstanding claims of \$1.0 billion (\$954.3 million). This solvency ratio is less than the industry standards set by the Australian Prudential Regulatory Authority (APRA), which currently sets this ratio at 15 percent. While the Commission is not required to comply with the APRA benchmark it is expected that, in the absence of a major capital injection from the Government, it would take some years before the Commission could attain these levels, if at all.

MOTOR ACCIDENT COMMISSION AND CONTROLLED ENTITIES

Statement of Financial Performance for the year ended 30 June 2001

	Note	CTP		Consolidated		Commission	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Premium revenue	3	252 561	257 681	252 565	257 687	252 565	257 687
Outwards reinsurance expense		(1 722)	(1 681)	(1 722)	(1 681)	(1 722)	(1 681)
NET PREMIUM		250 839	256 000	250 843	256 006	250 843	256 006
Claims expense	4	(278 689)	(270 440)	(275 744)	(270 062)	(275 744)	(270 062)
Reinsurance and other recoveries	3	5 275	2 856	5 285	2 873	5 285	2 873
NET CLAIMS	16	(273 414)	(267 584)	(270 459)	(267 189)	(270 459)	(267 189)
Other underwriting expenses	5	(49 856)	(47 168)	(50 473)	(47 753)	(50 473)	(47 753)
UNDERWRITING LOSS		(72 431)	(58 752)	(70 089)	(58 936)	(70 089)	(58 936)
Investment revenue	3	77 900	59 076	79 998	61 218	79 998	61 218
Other revenue	3	-	-	(4)	1	(4)	1
Investment management fee		(3 213)	(2 997)	(3 213)	(2 997)	(3 213)	(2 997)
NET INVESTMENT REVENUE		74 687	56 079	76 781	58 222	76 781	58 222
Contribution from non-insurance controlled entities		-	-	(20)	52	-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE MARKET VALUE MOVEMENTS		2 256	(2 673)	6 672	(662)	6 692	(714)
Investment market value movements (AASB 1023)	3	11 146	31 994	11 684	31 867	11 684	31 867
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		13 402	29 321	18 356	31 205	18 376	31 153
Income tax expense relating to ordinary activities	6	(3 788)	(12 093)	(5 429)	(12 736)	(5 430)	(12 734)
NET PROFIT		9 614	17 228	12 927	18 469	12 946	18 419

Statement of Financial Position as at 30 June 2001

	Note	CTP		Consolidated		Commission	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
CURRENT ASSETS:							
Cash assets		4 934	5 829	21 337	12 171	21 191	12 025
Receivables	7	5 851	29 669	8 455	29 819	8 541	29 885
Reinsurance and other recoveries receivable	8	3 162	2 985	3 162	2 985	3 162	2 985
Other financial assets	9	192 603	167 987	193 030	187 861	193 150	187 981
Other	10	10 044	9 716	10 044	9 716	10 044	9 716
Total Current Assets		216 594	216 186	236 028	242 552	236 088	242 592
NON-CURRENT ASSETS:							
Receivables	7	-	-	-	2 109	-	2 109
Reinsurance and other recoveries receivable	8	10 872	9 082	10 872	9 082	10 872	9 082
Other financial assets	9	999 643	943 111	1 001 174	947 019	1 001 194	947 039
Property, plant and equipment	11	-	-	212	152	212	152
Future income tax benefit	6	24 219	24 667	25 326	25 957	25 326	25 957
Total Non-Current Assets		1 034 734	976 860	1 037 584	984 319	1 037 604	984 339
Total Assets		1 251 328	1 193 046	1 273 612	1 226 871	1 273 692	1 226 931
CURRENT LIABILITIES:							
Accounts payable	12	7 101	44 079	8 079	43 777	8 078	43 775
Unearned premium		93 051	90 306	93 051	90 306	93 051	90 306
Outstanding claims	13	272 295	256 489	273 216	258 322	273 216	258 322
Provisions	14	-	-	94	10 063	94	10 063
Total Current Liabilities		372 447	390 874	374 440	402 468	374 439	402 466
NON-CURRENT LIABILITIES:							
Outstanding claims	13	760 256	697 776	765 410	708 413	765 410	708 413
Provisions	14	-	-	47	-	47	-
Deferred income tax	6	20 671	16 056	21 306	16 508	21 306	16 508
Total Non-Current Liabilities		780 927	713 832	786 763	724 921	786 763	724 921
Total Liabilities		1 153 374	1 104 706	1 161 203	1 127 389	1 161 202	1 127 387
NET ASSETS		97 954	88 340	112 409	99 482	112 490	99 544
EQUITY:							
Retained profit	25	97 954	88 340	112 409	99 482	112 490	99 544
TOTAL EQUITY		97 954	88 340	112 409	99 482	112 490	99 544
Commitments	17						
Contingent Liabilities	26						

Statement of Cash Flows for the year ended 30 June 2001

	Note	CTP		Consolidated		Commission	
		2001	2000	2001	2000	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash receipts in the course of operations		279 640	270 857	284 868	270 998	284 867	270 875
Cash payments in the course of operations		(258 929)	(271 926)	(264 262)	(273 128)	(264 252)	(273 120)
Proceeds from sale of investments		1 234 240	944 767	1 236 894	944 885	1 236 894	944 885
Payments for investments		(1 261 574)	(1 100 602)	(1 261 574)	(1 101 505)	(1 261 574)	(1 101 505)
Taxes paid		(25 930)	-	(25 879)	-	(25 879)	-
Dividends received		6 079	4 871	6 091	5 458	6 091	5 458
Interest and other investment income		58 196	52 545	59 851	54 217	59 842	54 214
Net Cash provided by (used in) Operating Activities	24	31 722	(99 488)	35 989	(99 075)	35 989	(99 193)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Repayment of loans by other persons		-	-	448	3 194	448	3 194
Payment for property, plant and equipment		-	-	(75)	(8)	(75)	(8)
Net Cash provided by Investing Activities		-	-	373	3 186	373	3 186
CASH FLOWS FROM FINANCING ACTIVITIES:							
Repayment of loans		-	-	-	(1 351)	-	(1 351)
Dividends paid		-	-	(10 000)	-	(10 000)	-
Net Cash used in Financing Activities		-	-	(10 000)	(1 351)	(10 000)	(1 351)
NET INCREASE (DECREASE) IN CASH HELD		31 722	(99 488)	26 362	(97 240)	26 362	(97 358)
CASH AT 1 JULY		31 002	130 490	52 765	150 005	52 619	149 977
CASH AT 30 JUNE	1(s), 24	62 724	31 002	79 127	52 765	78 981	52 619

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

- (a) This financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, the *Corporations Act 2001*, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements (Urgent Issues Group Consensus Views).

It 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 economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(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 standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profit from the face of the Statement of Financial Performance to Note 25.

(c) **Principles of Consolidation**

The consolidated accounts incorporate the results and the assets and liabilities of all entities which, in terms of AASB 1024 Consolidated Accounts, are controlled by the entity as at 30 June 2001. Motor Accident Commission (MAC) and its controlled entities together are referred to in this financial report as the economic entity.

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

The entities controlled by MAC are listed in Note 18.

(d) **Premium Revenue**

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

(e) **Outwards Reinsurance**

Premiums paid to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(f) **Claims**(i) **Short Term Claims**

Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

(i) **Short Term Claims (continued)**
 In the inwards reinsurance, general and business insurance and financial risk businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time assist to build up prudential reserves.

(ii) **Long Term Claims**
 The liability for outstanding claims which take longer to settle such as CTP and Employer's Liability is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin for prudence is included to provide sufficient confidence that the provision is adequate.

(g) **Reinsurance and Other Recoveries Receivable**
 Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

(h) **Collection Charges**
 Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) **Levies and Charges**
 A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC were expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(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**
 (i) **Trade Debtors**
 Trade debtors principally relate to premiums collected by Transport SA (Registration and Licensing Section), an agent of MAC, not yet passed over to the Fund. The settlement of these amounts occurs within seven working days.

(ii) **Investment Debtors**
 Investment debtors consist of securities for which contracts for sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful debts.

(l) **Foreign Currency Transactions**
 Foreign currency transactions are translated at the rates of exchange ruling at the date of the transactions. Amounts in foreign currencies at balance date have been translated at the spot rate of exchange ruling on the close of trading on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change.

(m) **Investments**
 Investments, other than investments in controlled entities, are valued at net fair value, ie net of the expected costs of disposal. Changes in the net fair values of investments at balance date from their net fair values at the previous balance date (or cost of acquisition, if acquired during the financial year) are recognised as revenue or expense in the Statement of Financial Performance. Net fair value for each category is established as follows:

(i) **Properties**
 All properties were valued at independent valuations as at 30 June 2001. All independent valuations have been prepared in accordance with guidelines issued by ASIC which embrace the definition of market value established by the Australian Property Institute Incorporated. The definition provides that market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In accordance with the provisions of Accounting Standard AASB 1023 Financial Reporting of General Insurance Activities, properties are treated as integral to the general insurance activities of the entity. As such they are classified as investment properties and are not depreciated.

(m) Investments (continued)

(ii) Listed Equities and Securities

By market quotations as at 30 June 2001.

(iii) Other Investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors. In respect of significant controlled entities, valuations are reviewed to support the carrying amount.

(iv) Net Investment Income

Fees and discounts are amortised over the period to which they relate. Interest and dividends are taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

(n) Employee Entitlements

A liability for employee entitlements has been accrued at 30 June 2001.

Wages, Salaries, Annual Leave, Long Service Leave and Sick Leave

The provisions for employee entitlements to wages, salaries, annual leave and long service leave at 30 June 2001 represent the amount which MAC has a present obligation to pay resulting from employees' services provided up to that date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs. No provision was made for sick leave as entitlements do not vest.

(o) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit (after allowing for permanent differences). The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Under section 23 of the *Motor Accident Commission Act, 1992* the entity is liable to pay to the Treasurer, for the credit of the Consolidated Account, such amounts as the Treasurer from time to time determines to be equivalent to income tax and any other taxes or imposts that the entity does not pay to the Commonwealth but would be liable to pay under the law of the Commonwealth if it were constituted and organised in such manner as a public company or group of public companies.

(i) Controlled Entities

Controlled entities forming part of the consolidated result are exempt from income tax pursuant to section 24AK of the *Income Tax Assessment Act 1936*.

(ii) Other Taxes and Charges

The entity is a registered entity for GST purposes and, effective 1 July 2000, collects and remits GST in the normal course of business. GST collected on premiums paid in advance has been recognised as a liability in the accounts.

Whilst the entity was an exempt body under the *Sales Tax (Exemptions and Classifications) Act 1992*, it was assessed the equivalent of sales tax payable on goods and remitted this amount to the Department of Treasury and Finance. This Act was repealed effective 1 July 2000 as a part of the Federal Government's tax reform package. Other taxes such as stamp duty are remitted in the normal course of business to the respective authorities.

(p) Property, Plant and Equipment

Plant and equipment, furniture, fixtures and fittings and computing equipment are depreciated over their estimated useful lives using the reducing balance method of depreciation. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

Asset Class	Depreciation Rate Percent
Plant and equipment	20.0
Furniture and fittings	20.0
Building fitout	2.5
Computing equipment	40.0

(q) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to MAC or the economic entity. Trade accounts payable are normally settled within 30 days.

(r) Dividends

In accordance with section 26 of the *Motor Accident Commission Act, 1992* the Treasurer, after consultation with the Board, may direct MAC to pay to the Treasurer a part of any surplus in respect of a financial year.

(s) Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call, net of bank overdrafts.

(t) Derivatives

The economic entity's activities expose it to changes in interest rates, foreign exchange rates and general consumer prices. It is also exposed to credit, liquidity and cash flow risks from its operations.

It is economic entity policy to consider derivative financial instruments to enhance performance and to hedge cash flows subject to interest rate, foreign exchange rate and general consumer price risks. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

(u) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where Accounting Standards have been applied for the first time, comparative information is not always available.

(v) Revaluation of Non-Current Assets

In the preparation of the financial statements the entity has elected to adopt early the requirements of the revised accounting standard AASB 1041 Revaluation of Non-Current Assets.

2.	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Profit from Ordinary Activities						
Profit from ordinary activities before income tax is arrived at after crediting and charging the following specific items:						
Credits:						
Interest received/receivable						
- Other persons and/or corporations	56 548	51 609	58 157	53 112	58 157	53 112
Dividends received/receivable						
- Other persons and/or corporations	8 124	8 458	8 136	9 045	8 136	9 045
Charges:						
Amounts set aside to provide for:						
Employment entitlements	-	-	(78)	(16)	(78)	(16)
Bad and doubtful debts	7	(70)	(7)	(70)	(7)	(70)
Depreciation and amortisation of plant and equipment	-	-	(16)	(19)	(16)	(19)
3. Revenue from Ordinary Activities						
Premium Revenue:						
Direct	252 561	257 681	252 561	257 681	252 561	257 681
Inwards reinsurance	-	-	4	6	4	6
	252 561	257 681	252 565	257 687	252 565	257 687
Reinsurance and Other Recoveries:						
Reinsurance	484	312	484	312	484	312
Other	4 791	2 544	4 801	2 561	4 801	2 561
	5 275	2 856	5 285	2 873	5 285	2 873
Investment Revenue:						
Dividends	8 124	8 458	8 136	9 045	8 136	9 045
Interest	56 548	51 609	58 157	53 112	58 157	53 112
Rentals	2 674	2 399	2 674	2 399	2 674	2 399
Profit (Loss) - Investments realised	10 554	(3 390)	11 031	(3 338)	11 031	(3 338)
	77 900	59 076	79 998	61 218	79 998	61 218
Investment Market Value Movements - Unrealised (AASB 1023):						
Fixed interest	6 373	13 703	6 373	13 703	6 373	13 703
Equities	5 249	15 906	5 787	15 779	5 787	15 779
Properties	1 409	1 529	1 409	1 529	1 409	1 529
Futures	(1 885)	856	(1 885)	856	(1 885)	856
	11 146	31 994	11 684	31 867	11 684	31 867
Other Revenue:						
Foreign exchange gains (losses)	-	-	(2)	(1)	(2)	(1)
Other revenue	-	-	(2)	2	(2)	2
	-	-	(4)	1	(4)	1
Total Revenue from Ordinary Activities	346 882	351 607	349 528	353 646	349 528	353 646
4. Claims Expense						
Direct	278 689	270 440	279 097	270 005	279 097	270 005
Inwards reinsurance	-	-	(3 353)	57	(3 353)	57
	278 689	270 440	275 744	270 062	275 744	270 062
5. Other Underwriting Expenses						
Management expenses	18 792	18 350	19 409	18 935	19 409	18 935
Levies and charges	27 259	25 220	27 259	25 220	27 259	25 220
Collection charges	3 805	3 598	3 805	3 598	3 805	3 598
	49 856	47 168	50 473	47 753	50 473	47 753

6. Income Tax	Note	CTP		Commission		Consolidated		
		2001 \$'000	2000 \$'000	2001 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	
MAC is taxed as if it were a public company								
(a)	1(o)	Income Tax Expense						
		Prima facie income tax expense at 34 percent on the profit from ordinary activities						
		4 557	10 556	6 248	11 234	6 248	11 215	
		Restatement of deferred tax balances due to change in company tax rate						
		(675)	1 722	(724)	1 890	(724)	1 890	
		Increase in income tax expense due to:						
		Non-tax deductible expenses						
		-	-	-	1	-	1	
		Decrease in income tax expense due to:						
		Section 46 dividend rebates						
		-	-	-	(187)	-	(187)	
		Benefit of prior years losses not recognised as FITB						
		-	-	-	(17)	-	-	
		Sundry items						
		(94)	(185)	(95)	(185)	(94)	(185)	
		Income Tax Expense on Profit from Ordinary Activities						
		3 788	12 093	5 429	12 736	5 430	12 734	
(b)		Provision for Current Income Tax						
		Movements during the year were as follows:						
		Balance at 1 July						
		-	-	-	-	-	-	
		Income tax paid						
		-	-	-	-	-	-	
(c)		Provision for Deferred Income Tax						
		Provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:						
		Investment and property revaluations not currently assessable						
		15 630	11 635	15 630	11 635	15 630	11 635	
		Income included for accounting purposes but not currently assessable						
		4 282	4 421	4 282	4 746	4 282	4 746	
		Unrealised currency gains						
		-	-	322	127	322	127	
		Sundry items						
		759	-	1 072	-	1 072	-	
		20 671	16 056	21 306	16 508	21 306	16 508	
(d)		Future Income Tax Benefit						
		Future income tax benefit comprises the estimated future benefit at current income tax rates of the following items:						
		Income assessable but not included for accounting purposes						
		-	204	-	204	-	204	
		Investment and property devaluations not currently deductible						
		773	1 599	1 837	2 870	1 837	2 870	
		Claims settlement cost						
		5 460	4 508	5 460	4 508	5 460	4 508	
		Purchased interest						
		2 828	2 460	2 828	2 460	2 828	2 460	
		Provisions and accrued employee entitlements not currently deductible						
		-	-	-	19	-	19	
		Tax losses carried forward						
		14 493	15 896	14 493	15 896	14 493	15 896	
		Sundry items						
		665	-	708	-	708	-	
		24 219	24 667	25 326	25 957	25 326	25 957	

Any future income tax benefit will only be obtained if:

- (i) MAC derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the economic entity in accordance with section 80G of the *Income Tax Assessment Act 1936*;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefit.

7. Receivables		CTP		Consolidated		Commission	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:							
	Trade debtors	2 639	2 849	2 669	2 864	2 653	2 863
	Less: Provision for doubtful debts	-	-	-	-	-	-
		2 639	2 849	2 669	2 864	2 653	2 863
	Investment debtors	2 136	27 016	5 985	27 138	5 985	27 138
	Less: Provision for doubtful debts	(227)	(234)	(227)	(234)	(227)	(234)
		1 909	26 782	5 758	26 904	5 758	26 904
	Other debtors	1 303	38	28	51	130	118
		5 851	29 669	8 455	29 819	8 541	29 885
Non-Current:							
	Investment debtors	-	-	-	57	-	57
	Other debtors	-	-	-	2 052	-	2 052
		-	-	-	2 109	-	2 109

Investment debtors consists of equities listed on stock exchanges for which contracts of sale had been completed but for which settlement had not been received at balance date together with interest, dividends and rental due on other investments.

Other debtors generally arise from transactions outside the usual operating activities of the economic entity.

8. Reinsurance and Other Recoveries Receivable	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Expected future recoveries (undiscounted)	16 519	14 565	16 519	14 565	16 519	14 565
Discount to present value*	2 485	2 498	2 485	2 498	2 485	2 498
Reinsurance and other recoveries receivable (before provision for doubtful debts)	14 034	12 067	14 034	12 067	14 034	12 067
Current:						
Reinsurance and other recoveries receivable	3 162	2 985	3 162	2 985	3 162	2 985
Non-Current:						
Reinsurance and other recoveries receivable	10 872	9 082	10 872	9 082	10 872	9 082

* Refer to Note 13 for details of the inflation and discount rates used in the determination of this discounting adjustment.

9. Other Financial Assets	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current:						
Fixed Interest:						
Deposits at call	57 790	25 173	57 790	40 594	57 790	40 594
Bank bills	25 851	22 839	25 851	22 839	25 851	22 839
Foreign currency	-	-	140	4 453	140	4 453
Floating rate notes	-	10 152	-	10 152	-	10 152
Government securities	31 663	33 137	31 663	33 137	31 663	33 137
Corporate debentures	40 861	40 684	40 861	40 684	40 861	40 684
Commercial mortgages	-	-	287	-	287	-
Loans to controlled entities	-	-	-	-	120	120
Futures	36 438	36 002	36 438	36 002	36 438	36 002
Total Current Investments	192 603	167 987	193 030	187 861	193 150	187 981
Non-Current:						
Fixed Interest:						
Government securities	368 335	332 058	368 335	332 058	368 335	332 058
Corporate debentures	202 279	254 633	202 279	254 633	202 279	254 633
Commercial mortgages	3 949	3 949	3 949	4 684	3 949	4 684
Floating rate notes	50 425	20 281	50 425	20 281	50 425	20 281
Capital indexed bonds	56 928	54 973	56 928	54 973	56 928	54 973
Equities:						
Listed on stock exchanges	197 158	172 772	197 158	174 782	197 158	174 782
Unlisted	-	-	1 531	1 163	1 551	1 183
International equities	46 572	45 243	46 572	45 243	46 572	45 243
Property:						
Independent valuation/certificate	42 100	29 425	42 100	29 425	42 100	29 425
Domestic listed property trust	31 897	29 777	31 897	29 777	31 897	29 777
Total Non-Current Investments	999 643	943 111	1 001 174	947 019	1 001 194	947 039
Total Investments	1 192 246	1 111 098	1 194 204	1 134 880	1 194 344	1 135 020

Property Valuations

Independent valuations as at 30 June 2001, have been determined by:

Robert Bertram Certified Practising Valuer, FAPI
 Danny Mohr Certified Practising Valuer, AAPI
 Neil Harvey Certified Practising Valuer, AAPI
 John Booth Certified Practising Valuer, AAPI

All valuations for properties are made in accordance with the policy set out in Note 1(m)(i).

10. Other Current Assets	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Prepayments	10 044	9 716	10 044	9 716	10 044	9 716
11. Property, Plant and Equipment						
Furniture and fittings, office equipment, and other assets - At cost	-	-	200	138	200	138
Less: Accumulated depreciation	-	-	17	13	17	13
Plant and equipment	-	-	183	125	183	125
Less: Accumulated depreciation	-	-	22	22	22	22
Computing equipment	-	-	13	11	13	11
Less: Accumulated depreciation	-	-	9	11	9	11
Computing equipment	-	-	49	50	49	50
Less: Accumulated depreciation	-	-	29	34	29	34
Total Property, Plant and Equipment	-	-	212	152	212	152

11. Property, Plant and Equipment (continued)	CTP		Consolidated		Commission	
	2001	2000	2001	2000	2001	2000
Furniture and Fittings, Office Equipment, and Other	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets - At cost						
Carrying amount at beginning of year	-	-	125	129	125	129
Additions	-	-	62	-	62	-
Disposals	-	-	-	-	-	-
Depreciation	-	-	(4)	(4)	(4)	(4)
Carrying amount at end of the year	-	-	183	125	183	125
Plant and Equipment:						
Carrying amount at beginning of year	-	-	11	14	11	14
Additions	-	-	1	-	1	-
Disposals	-	-	(1)	-	(1)	-
Depreciation	-	-	(2)	(3)	(2)	(3)
Carrying amount at end of the year	-	-	9	11	9	11
Computing Equipment:						
Carrying amount at beginning of year	-	-	16	16	16	16
Additions	-	-	17	8	17	8
Disposals	-	-	(3)	-	(3)	-
Depreciation	-	-	(10)	(8)	(10)	(8)
Carrying amount at end of the year	-	-	20	16	20	16

12. **Accounts Payable**

Current:

Trade creditors	-	-	164	175	163	173
Investment creditors	1 225	29 701	2 643	29 701	2 643	29 701
Other creditors and accruals	5 272	13 901	5 272	13 901	5 272	13 901
Due to related parties	604	477	-	-	-	-
	7 101	44 079	8 079	43 777	8 078	43 775

13. **Outstanding Claims**

(a)

Expected future claims payments (undiscounted)	1 201 457	1 131 596	1 208 287	1 144 821	1 208 287	1 144 821
Discount to present value	168 906	177 331	169 661	178 086	169 661	178 086
Liability for outstanding claims	1 032 551	954 265	1 038 626	966 735	1 038 626	966 735
Current	272 295	256 489	273 216	258 322	273 216	258 322
Non-Current	760 256	697 776	765 410	708 413	765 410	708 413

(b)

The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

For the succeeding year:

	CTP		Consolidated		Commission	
	2001	2000	2001	2000	2001	2000
	Percent	Percent	Percent	Percent	Percent	Percent
Inflation rate	6.5	7.0	6.5	7.0	6.5	7.0
Discount rate	5.4	6.2	5.4	6.2	5.4	6.2

For subsequent years:

Inflation rate	6.5	7.0	6.5	7.0	6.5	7.0
Discount rate	5.4	6.2	5.4	6.2	5.4	6.2

(c)

The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be:

	CTP		Consolidated		Commission	
	2001	2000	2001	2000	2001	2000
	3.1 years	3.0 years	3.1 years	3.0 years	3.1 years	3.0 years

The method of calculating outstanding claims is set out in detail in Note 1(f).

Claims provisions as at 30 June 2001 for the Compulsory Third Party Fund, Mortgage Guarantee Insurance and Workers Compensation Insurance have been reviewed by Mr L C Brett B.Sc, FIA, FIAA and Mr B A Watson B.Sc, FIAA of Brett & Watson Pty Ltd. For these funds the directors have adopted the central estimate as determined by the actuary and applied the recommended prudential margin.

Inwards (overseas) Reinsurance has been reviewed by Mr I Brown B.A(Ec) of RunOff Resources Pty Ltd. For Inwards Reinsurance the directors have adopted the report as prepared by the reinsurance expert.

14. **Provisions**

	CTP		Consolidated		Commission	
	2001	2000	2001	2000	2001	2000
Current Liabilities:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
State tax - Other	-	-	12	12	12	12
Provision for dividend payable	-	-	-	10 000	-	10 000
Employee entitlements	-	-	82	51	82	51
	-	-	94	10 063	94	10 063
Non-Current:						
Employee entitlements	-	-	47	-	47	-
	-	-	47	-	47	-

15. **Additional Financial Instrument Disclosures**(1) **Derivative Financial Instruments***Options*

The economic entity may enter into options that give it the right but not the obligation to purchase or sell specified securities and financial instruments. Options are entered into as a hedge against market risk. As at balance date there were no options held.

(1) Derivative Financial Instruments (continued)**Net Fair Values**

The net fair values of the economic entity's derivative financial instruments which are traded on organised markets at balance date are those disclosed below under Interest Rate Risk. All exchange traded financial instruments are carried at net fair value.

(2) Foreign Exchange Risk

The economic entity enters into forward exchange contracts to hedge certain financial assets and claims liabilities denominated in foreign currencies (principally United States dollars and Great Britain pounds). The terms of these commitments are rarely more than three months. It is economic entity policy to enter into forward foreign exchange contracts to hedge a proportion of foreign currency purchases and sales expected in each month. The amount of anticipated future purchases and sales is forecast in the light of current conditions in foreign exchange markets and information from insurers.

As at 30 June 2001 the economic entity held one open forward foreign exchange contract and a physical foreign currency deposit as a hedge against assets and liabilities denominated in foreign currencies.

(3) Interest Rate Risk

The economic entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating Interest Rate \$'000	Consolidated*			Non- Interest Bearing \$'000	2001 Total \$'000
		Fixed Interest Rate Maturities	1 year or less \$'000	1-5 years \$'000		
Financial Assets:						
Cash	79 127	-	-	-	-	79 127
Debtors	-	2 289	-	-	6 166	8 455
Bonds	-	31 663	368 335	-	-	399 998
Corporate bonds	-	40 861	202 279	-	-	243 140
Floating rate notes	-	-	30 104	20 321	-	50 425
Indexed annuities	-	-	-	3 949	-	3 949
Capital indexed bonds	-	-	6 781	50 147	-	56 928
Non-callable deposits and promissory notes	-	25 851	-	-	-	25 851
Foreign currency	-	140	-	-	-	140
Commercial mortgages	-	287	-	-	-	287
Shares and other equity instruments	-	-	-	-	277 158	277 158
Futures	36 381	-	-	-	951	37 332
Property	-	-	-	-	42 100	42 100
Total Financial Assets	115 508	101 091	607 499	74 417	326 375	1 224 890
Weighted average interest rate percent	5.12	4.95	5.4	4.15	-	-
Financial Liabilities:						
Creditors	-	-	-	-	8 079	8 079
Futures	-	-	-	-	894	894
Total Financial Liabilities	-	-	-	-	8 973	8 973
Net Financial Assets (Liabilities)	115 508	101 091	607 499	74 417	317 402	1 215 917

* In accordance with Australian Accounting Standards Board AASB 1033 'Presentation and Disclosure of Financial Instruments', consolidated disclosure is provided only.

	Floating Interest Rate \$'000	Consolidated*			Non- Interest Bearing \$'000	2000 Total \$'000
		Fixed Interest Rate Maturities	1 year or less \$'000	1-5 years \$'000		
Financial Assets:						
Cash	52 765	-	-	-	-	52 765
Debtors	-	-	2 052	-	29 876	31 928
Bonds	-	33 137	320 155	11 903	-	365 195
Corporate bonds	-	40 684	244 753	9 880	-	295 317
Floating rate notes	-	10 152	-	20 281	-	30 433
Indexed annuities	-	-	-	3 949	-	3 949
Capital indexed bonds	-	-	-	54 973	-	54 973
Non-callable deposits and promissory notes	-	22 839	-	-	-	22 839
Foreign currency	-	4 453	-	-	-	4 453
Commercial mortgages	-	-	735	-	-	735
Shares and other equity instruments	-	-	-	-	250 965	250 965
Futures	35 511	-	-	-	934	36 445
Property	-	-	-	-	29 425	29 425
Total Financial Assets	88 276	111 265	567 695	100 986	311 200	1 179 422
Weighted average interest rate percent	5.76	6.20	6.33	10.40	-	-
Financial Liabilities:						
Creditors	-	-	-	-	43 777	43 777
Futures	-	-	-	-	443	443
Total Financial Liabilities	-	-	-	-	44 220	44 220
Net Financial Assets (Liabilities)	88 276	111 265	567 695	100 986	266 980	1 135 202

* In accordance with Australian Accounting Standards Board AASB 1033 'Presentation and Disclosure of Financial Instruments', consolidated disclosure is provided only.

(4) Credit Risk

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

(4) Credit Risk (continued)

Recognised Financial Instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent the economic entity's maximum exposure to credit risk to these assets. Where counterparties have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards. The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of counterparties. The economic entity is not materially exposed to any individual counterparty.

Unrecognised Financial Instruments

Credit risk on unrecognised derivative contracts is minimised as counterparties are recognised financial intermediaries trading on recognised and reputable exchanges or have acceptable credit ratings determined by a recognised ratings agency. The credit exposure of financial derivative assets is represented by the net fair value of the contracts as disclosed.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the economic entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the economic entity.

(5) Market Risk

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk of adverse movements in markets for derivatives, or the underlying asset or index to which the derivative relates. Market risk analysis is conducted on a regular basis and before any new positions are put into place. It is conducted on a total portfolio basis, incorporating both physical investments and the effective exposure of all derivative positions.

(6) Liquidity and Cash Flow Risk

The liquidity risks associated with the need to satisfy requests for redemptions are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand and restricting the investment activities of the Fund to securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties.

16. Net Claims Incurred

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

Direct Business

	2001			2001			Commission		
	Current Year	CTP Prior Years	Total	Current Year	CTP Prior Years	Total	Current Year	CTP Prior Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred and related expenses - Undiscounted	332 852	(62 586)	270 266	332 852	(62 646)	270 206	332 852	(62 646)	270 206
Reinsurance and other recoveries - Undiscounted	(3 975)	(1 288)	(5 263)	(3 975)	(1 298)	(5 273)	(3 975)	(1 298)	(5 273)
Net Claims Incurred - Undiscounted	328 877	(63 874)	265 003	328 877	(63 944)	264 933	328 877	(63 944)	264 933
Discount and discount movement - Gross claims incurred	(49 441)	57 864	8 423	(49 441)	58 332	8 891	(49 441)	58 332	8 891
Discount and discount movement - Reinsurance and other recoveries	690	(702)	(12)	690	(702)	(12)	690	(702)	(12)
Net Discount Movement	(48 751)	57 162	8 411	(48 751)	57 630	8 879	(48 751)	57 630	8 879
NET CLAIMS INCURRED - DISCOUNTED	280 126	(6 712)	273 414	280 126	(6 314)	273 812	280 126	(6 314)	273 812
Inwards Reinsurance Business									
Gross claims incurred and related expenses - Undiscounted	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
Reinsurance and other recoveries - Undiscounted	-	-	-	-	-	-	-	-	-
Net Claims Incurred - Undiscounted	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
Discount and discount movement - Gross claims incurred	-	-	-	-	-	-	-	-	-
Discount and discount movement - Reinsurance and other recoveries	-	-	-	-	-	-	-	-	-
Net Discount Movement	-	-	-	-	-	-	-	-	-
NET CLAIMS INCURRED DISCOUNTED	-	-	-	-	-	-	-	-	-
TOTAL:									
Direct business	280 126	(6 712)	273 414	280 126	(6 314)	273 812	280 126	(6 314)	273 812
Inward reinsurance business	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
NET CLAIMS INCURRED	280 126	(6 712)	273 414	280 126	(9 667)	270 459	280 126	(9 667)	270 459

16. Net Claims Incurred (continued)

Direct Business	CTP			2000 Consolidated			Commission		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses - Undiscounted	325 895	(24 917)	300 978	325 895	(25 942)	299 953	325 895	(25 942)	299 953
Reinsurance and other recoveries - Undiscounted	(3 906)	1 056	(2 850)	(3 906)	1 039	(2 867)	(3 906)	1 039	(2 867)
Net Claims Incurred - undiscounted	321 989	(23 861)	298 128	321 989	(24 903)	297 086	321 989	(24 903)	297 086
Discount and discount movement - Gross claims incurred	(55 007)	24 469	(30 538)	(55 007)	25 059	(29 948)	(55 007)	25 059	(29 948)
Discount and discount movement - Reinsurance and other recoveries	771	(777)	(6)	771	(777)	(6)	771	(777)	(6)
Net Discount Movement	(54 236)	23 692	(30 544)	(54 236)	24 282	(29 954)	(54 236)	24 282	(29 954)
NET CLAIMS INCURRED - DISCOUNTED	267 753	(169)	267 584	267 753	(621)	267 132	267 753	(621)	267 132
Inwards Reinsurance Business									
Gross claims incurred and related expenses - Undiscounted	-	-	-	-	57	57	-	57	57
Reinsurance and other recoveries - Undiscounted	-	-	-	-	-	-	-	-	-
Net Claims Incurred - Undiscounted	-	-	-	-	57	57	-	57	57
Discount and discount movement - Gross claims incurred	-	-	-	-	-	-	-	-	-
Discount and discount movement - Reinsurance and other recoveries	-	-	-	-	-	-	-	-	-
Net Discount Movement	-	-	-	-	-	-	-	-	-
NET CLAIMS INCURRED DISCOUNTED	-	-	-	-	57	57	-	57	57
TOTAL:									
Direct business	267 753	(169)	267 584	267 753	(621)	267 132	267 753	(621)	267 132
Inward reinsurance business	-	-	-	-	57	57	-	57	57
NET CLAIMS INCURRED	267 753	(169)	267 584	267 753	(564)	267 189	267 753	(564)	267 189

17. Commitments Capital Expenditure Commitments	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Building upgrade expenditure contracted but not provided for and payable: Within one year	969	-	969	-	969	-
	969	-	969	-	969	-

Management Agreements

Pursuant to a Claims Management Agreement, MAC contracted SGIC General Insurance Limited (SGIC) to manage the operations of the Fund for a period of at least three years, commencing on 1 July 1995. A new Agreement has been entered into for a maximum period of a further three years commencing 1 July 1998. This contract has since been extended for a further twelve months. A base management fee is payable each year (adjusted by CPI) to SGIC until the contract concludes. SGIC is part of the NRMA group.

MAC has also entered into an Investment Management Agreement with Colonial First State Investment Managers (CFSIM), whereby CFSIM is to manage an investment portfolio of the Fund. CFSIM is part of the Commonwealth Bank of Australia group.

18. Investment in Controlled Entities	Principal Activity	Entity Interest		Investment of Commission At Cost		Contribution to Consolidated Profit	
		2001 Percent	2000 Percent	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
MAC						12 946	18 419
*Controlled Entities:							
Southern Group Insurance Corporation Limited	Trustee	100	100	20	20	(19)	50
Consolidation eliminations and adjustments						-	-
Consolidated after Tax Profit						12 927	18 469

* All controlled entities are incorporated in Australia.

Acquisition of Controlled Entity

None.

Disposal of Controlled Entities

None.

19. Investment in Associated Entities Material investments as at 30 June 2001 in associated entities are as follows: Name of Company	Principal Activity	Entity Interest		Carrying Amounts ^(a)		Contribution to Entity ^(b)	
		2001 Percent	2000 Percent	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Listed on Prescribed Stock Exchange: Healthscope Limited	Private Hospitals	-	10.5	-	2 010	647	(170)
Unlisted:							
Macquarie Investment Trust	Investments	9.8	9.8	1 265	785	492	3
Macquarie Holdings Trust	Investments	9.8	9.8	83	189	(107)	(8)
SBC Warburg Dillon Read Capital Partners Trust	Investments	18.1	18.1	184	189	(5)	604
SBC Warburg Dillon Read Mezzanine Fund	Investments	17.7	17.7	-	-	-	-
MIRA Consultants Ltd ^(c)	Dissolved	-	-	-	-	-	27

(a) Carrying amounts include ordinary shares, convertible notes, preference shares and loans and advances made to associated companies valued at market value at balance date.

(b) Contribution to entity includes interest, dividends received and movements in market value.

(c) A meeting of MIRA Consultants Ltd (MIRA) shareholders was held on 17 June 1998 where it was resolved MIRA would be wound up voluntarily and a liquidator appointed. MIRA was wound up on 4 August 1999.

20. Interest in Business Undertaking - Partnership

The entity had a 25 percent interest in a partnership agreement with the former South Australian Timber Corporation (SATCO) called Scrimber, the principal activity of which was the development of synthetic timber products. The operation of Scrimber was discontinued after an announcement by the Minister of Forests on 31 July 1991. During 1995-96, the land and buildings and plant were sold for a gross value of \$2.05 million. A distribution of MAC's share of these monies amounting to \$632 000 was received in October 1997. The investment in the partnership was written down to nil value at 30 June 1991.

In 1998, agreement in principle was reached with the Department of Treasury and Finance, CSIRO and Valjul Pty Ltd (other consortium members) for a reduction in MAC's interest (to 20 percent) in return for the provision of additional intellectual property and a cash injection from other investors, who believe the process has potential for the future.

As the result of further negotiations with the other consortium members, the entity assigned its interest to CSIRO and Valjul Pty Ltd (the new consortium) in late 1999, in exchange for a royalty on gross annual income received by the new consortium. The assignment absolves the entity of any development, commercial and legal risks associated with the maintenance of the patents and the licensing and exploitation of the technology. Importantly, the entity will benefit from an annual income stream, free of any risks, in the event of successful commercial development of the process.

21. Segment Information

The entity's predominant operation is that of the Compulsory Third Party insurer in South Australia.

22. Auditors' Remuneration

Amounts received or due and receivable for auditing the accounts and consolidated accounts of the entity and the accounts of each of its controlled entities by: Auditor-General's Department	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
	72	77	96	104	95	103
	72	77	96	104	95	103

The auditors provided no other services to the entity during the financial year.

23. Dividend to the South Australian Government

Dividend payable in accordance with a requirement of the Treasurer under section 26 of the *MAC Act 1992*

-	-	-	10 000	-	10 000
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24. Reconciliation of Net Profit to Net Cash provided by (used in) Operating Activities

(1) Reconciliation of Cash

Cash	4 934	5 829	21 337	12 171	21 191	12 025
Deposits at call	57 790	25 173	57 790	40 594	57 790	40 594
	62 724	31 002	79 127	52 765	78 981	52 619

(2) Reconciliation of Net Profit to Net Cash provided by (used in) Operating Activities

Net profit	9 614	17 228	12 927	18 469	12 946	18 419
Add (Less): Non-cash items:						
Depreciation	-	-	16	15	16	15
Amounts set aside to provision	(7)	70	(7)	70	(7)	70
(Profit) loss on sale and revaluation to market value of investments	(21 700)	(28 604)	(22 238)	(28 476)	(22 238)	(28 476)
Net foreign exchange (gain) loss	-	-	2	1	2	1
Bad debt write off	-	-	-	53	-	53
(Decrease) Increase in deferred taxes payable and provisions	(1 471)	12 093	224	12 733	224	12 733
Net cash used in operating activities before changes in assets and liabilities	(13 564)	787	(9 076)	2 865	(9 057)	2 815
Change in assets and liabilities:						
(Increase) Decrease in investments	(30 384)	(160 815)	(24 130)	(162 077)	(24 130)	(162 077)
(Increase) Decrease in receivables	(3 379)	1 489	(4 925)	1 554	(4 909)	1 459
(Decrease) Increase in accounts payable and provisions	(1 982)	10 514	(517)	10 550	(551)	10 577
Increase in outstanding claims	78 286	50 780	71 891	50 276	71 891	50 276
Increase (Decrease) in unearned premium	2 745	(2 243)	2 745	(2 243)	2 745	(2 243)
Net Cash provided by (used in) Operating Activities	31 722	(99 488)	35 988	(99 075)	35 989	(99 193)

25. Retained Profit	CTP		Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Retained profit at 1 July	88 340	71 112	99 482	91 013	99 544	91 125
Net profit	9 614	17 228	12 927	18 468	12 946	18 419
Total Available for Appropriation	97 954	88 340	112 409	109 482	112 490	109 544
Dividend payable to the South Australian Government	-	-	-	10 000	-	10 000
Retained Profit at the 30 June	97 954	88 340	112 409	99 482	112 490	99 544

26. Contingent Liabilities

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgement to determine a suitable settlement. The result of such legal arbitration may result in a liability to the entity different to that incorporated in these accounts.

The entity was entitled to a return of money invested in an unlisted equity fund (Macquarie Investment Trust) as a result of the sale of one of the businesses in the fund. The sale was dependent on the provision of certain warranties given to the purchaser of the business. In order for the entity to receive its full share (\$2.1 million) of the sale proceeds distributed, the entity has committed to repay a portion of the distribution (\$0.3 million) in the event of a valid claim under the warranties provided to the purchaser. These warranties remain in force until 31 March 2002.

The entity has undertaken to support Southern Group Insurance Corporation Limited.

27. External Consultants used during the Financial Year

	Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total income received, or due and receivable by external consultants from MAC and the economic entity during the financial year	425	422	418	433

	Consolidated		Commission	
	2001 Number of Consultancies	2000 Number of Consultancies	2001 Number of Consultancies	2000 Number of Consultancies
The number and value of consultancies were:				
\$0 - \$9 999	23	32	19	29
\$10 000 - \$19 999	4	5	4	5
\$20 000 - \$29 999	1	1	1	1
\$30 000 - \$39 999	1	1	1	1
\$40 000 - \$49 999	1	-	1	1
\$50 000 - \$59 999	-	1	-	1
\$60 000 - \$69 999	1	-	1	-
\$130 000 - \$139 999	1	-	1	-
\$140 000 - \$149 999	-	1	-	1

28. Directors' Remuneration

	Consolidated		Commission	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total income paid or payable, or otherwise made available to all Directors of the entity from the entity or any related party			273	237

Total income paid or payable, or otherwise made available to all Directors of each entity in the economic entity from the entity or any related party	273	237	-	-
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	Consolidated		Commission	
	2001 Number of Directors	2000 Number of Directors	2001 Number of Directors	2000 Number of Directors
The number of Directors of the entity whose income from the entity or any related party falls within the following bands:				
\$0 - \$9 999	1	1	1	1
\$10 000 - \$19 999	-	1	-	1
\$30 000 - \$39 999	5	5	5	5
\$40 000 - \$49 999	1	1	1	1
\$50 000 - \$59 999	1	-	1	-

Directors of the economic entity receive income in the form of statutory fees. Those directors who are employed by the State Government of South Australia do not receive income from the entity. Until 31 December 1999 the fees for those directors were paid to the Department of Treasury and Finance. Following an instruction from the Department of the Premier and Cabinet, those payments ceased effective 31 December 1999.

Superannuation and Retirement Benefits

Directors of the economic entity are not paid superannuation or retirement benefits for their activities associated with the entity and its controlled entities other than the amount set aside by the entity in compliance with the Superannuation Guarantee Charge of \$20 200 (2000: \$14 500).

29. Executive's Remuneration

	2001 Number of Executive Officers	2000 Number of Executive Officers
	The number of MAC Executive Officers whose remuneration from MAC or related parties falls within the following bands:	
\$100 000 - \$109 999	1	-
\$150 000 - \$159 999	-	1
\$190 000 - \$199 999	1	-

30. Related Parties

Directors

The names of each person holding the position of director of the entity during the financial year are:

R N Sexton	D H Archbold
C L Harris	J Matysek
R J McKay	D Watkins
J T Hill	K A Weir

Details of directors' remuneration, superannuation and retirement payments are set out in Note 28.

Apart from the details disclosed in this note, no director has entered into a contract with the entity or the economic entity since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Directors Loans

There have been no loans advanced to directors of the entity during the financial year.

The total of loans outstanding to directors of the entity at year end is nil.

Directors' Holdings of Shares and Shares Options

The interests of directors of the reporting entity and their director-related entities in shares of entities within the economic entity at year end are set out below.

	Consolidated 2001 Number Held	2000 Number Held
Southern Group Insurance Corporation Limited: \$1 Ordinary shares	2	2

Directors' Transactions in Shares and Share Options

Two of the reporting entity's directors are each holding one share in Southern Group Insurance Corporation Limited in trust for the Motor Accident Commission.

Directors' Transactions with the Entity or the Economic Entity

The economic entity sold CTP insurance to directors of entities in the economic entity or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

A director of the entity, Mr D H Archbold is a principal in the firm International Property Group. This firm has rendered property management advice to the entity. The terms and conditions of those transactions with the director and his director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis. The value of the transactions during the year with the director and his director-related entities was as follows:

Director	Director Related Entity	Consolidated		Commission	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Mr D H Archbold	International Property Group	-	6	-	6

Controlled Entities

Details of interests in controlled entities are set out at Note 18.

MAC provides management services to its controlled entity, Southern Group Insurance Corporation Limited, which was charged an amount of \$32 000 for the 2000-01 financial year. This amount was outstanding at balance date.

Details of other dealings with controlled entities are set out below.

Balances with Entities within the Wholly-Owned Group

The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the entity at balance date:

	Commission	
	2001 \$'000	2000 \$'000
Receivables		
Current:		
Receivables	99	67
Loans from the entity	120	120

Other Related Entities

The entity had dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal terms and conditions.

Associated Entities

Refer Note 19.

Interest in Partnership

Refer Note 20.

Ultimate Parent Entity

The entity is constituted under the Motor Accident Commission Act 1992 (formerly the State Government Insurance Commission Act 1992), and is a Public Authority within the meaning given in the Public Finance and Audit Act 1987.

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

The South Australian Parliamentary Superannuation Board (the Board) established under the *Parliamentary Superannuation Act 1974* (the Act), is responsible for the collection of contributions from members of the Parliamentary Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

The main financial administration arrangements that apply in relation to the Scheme involve the Parliamentary Superannuation Fund (the Fund). The Fund, established under the Act, records as income to the Fund, members' and the Governments' contributions and revenue derived from the investment of those monies, and also records as payments from the Fund, benefit payments and administration costs.

The investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the Act.

The Act provides for pension based benefits.

STATUS OF FINANCIAL STATEMENTS

The financial statements of the scheme for the year ended 30 June 2001 were not finalised in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Scheme for the year ended 20 June 2001 will be included in a Supplementary Audit Report to Parliament.

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

The Police Superannuation Board (the Board), established under the *Police Superannuation Act 1990*, is responsible for the collection of contributions from members of the Police Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

The main financial administrative arrangements that apply in relation to the Scheme involve:

- The Police Superannuation Fund (the Fund) — The Fund, established under the *Police Superannuation Act 1990*, records as income to the Fund, members' contributions and revenue derived from investment of those monies, and also records as payments from the Fund, the employee share of benefit payments and administration costs.

The Fund is comprised of two divisions, namely, an Old Scheme Division which provides pension benefits with a lump sum option and a New (Lump Sum) Scheme Division which provides lump sum benefits.

The investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the *Police Superannuation Act 1990*.

- The Police Superannuation Scheme Contribution Account (Police Employer Contribution Account) was established in 1994-95 to record employer contributions on behalf of the police officers and cadets. The employer share of the benefits paid and administration costs is met from the Police Employer Contribution Account. Monies deposited into the account are invested and managed by Funds SA but do not form part of the Fund.
- The Police Occupational Superannuation Scheme (POSS), which was established under a Deed of Arrangement between the Treasurer and the Police Association of South Australia. The Board is responsible for all aspects of the administration of the Deed of Arrangement except management and investment activities. On 29 May 2000 (with effect from 1 July 1999) the Treasurer determined that POSS is a public sector superannuation scheme and the assets of the Scheme are to be invested and managed by Funds SA.

Police officers and cadets who commenced employment on or before 31 May 1990 are members of the Old Scheme Division. Those police officers and cadets who commenced employment on or after 1 June 1990 are members of the New Scheme Division. The New Scheme Division was formally closed to new members through amendments to the *Police Superannuation Act 1990* in October 1994. From 1 July 1995 police officers and cadets who commenced employment became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

STATUS OF FINANCIAL STATEMENTS

The Board 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 Board for the year ended 30 June 2001 will be included in a Supplementary Audit Report to Parliament.

SOUTH AUSTRALIAN ASSET MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

The *State Bank of South Australia Act 1983* (as amended) provides for the South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia to '... manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State'. The Act also provides for the Board of Directors of SAAMC to be subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of \$8.3 billion and \$8.2 billion respectively. At 30 June 2001 assets and liabilities of SAAMC stood at \$1.2 billion and \$1.2 billion respectively. SAAMC has now largely realised its property and loan portfolios and has invested the resulting funds in liquids so as to meet future liabilities totalling \$1.2 billion which mature through to the year 2005. With effect from 1 July 2000 eight remaining controlled entities of SAAMC were dissolved pursuant to section 23 of the *State Bank (Corporatisation) Act 1994*. The assets and liabilities of these eight controlled entities as at 30 June 2000 were vested in the parent entity (SAAMC).

At 30 June 2001 SAAMC staffing consisted of a part time Chief Executive Officer and two temporary part time employees. SAAMC treasury operation is managed by the South Australian Government Financing Authority (SAFA) under a formal agreement between SAAMC and SAFA.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(2a) of the *State Bank of South Australian Act 1983* provides for the Auditor-General to audit the accounts of SAAMC in respect of each financial year. Consistent with the approach taken in prior years the 2000-01 statutory audit of SAAMC is undertaken by a private sector auditing firm under sub-contract arrangement to the Auditor-General.

Audit Scope and Findings

A comprehensive Audit Plan formulated between the sub-contract auditor and the Auditor-General's Department established the review scope for the 2000-01 financial year. The Audit Plan outlines the audit approach, coverage and procedures to be employed in the process of examination of the auditable areas of review including:

- loans and other asset reviews - asset valuation/provisioning/realisations and recoveries
- Treasury operations
- investments
- cash and cash at bank
- borrowings and other liabilities
- operating expenses
- financial accounting and reporting consolidations
- financial information systems, including system/subsystem reconciliations
- internal audit
- financial statements verification.

The review of the auditable areas (including verification of financial statements) proceeded to finalisation, and consistent with previous years, the assessment of SAAMC's general financial controls was determined as satisfactory. In addition, matters raised with SAAMC management during the course of the audit (not material in nature) were responded to in a positive manner.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Asset 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. 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 Asset 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

The major objectives of SAAMC involve the management of the divesting of assets and repayment of liabilities rather than holding for long term operations and profit generation. Accordingly assets have been viewed essentially as current in nature and valued on this basis (Notes 1(a) and (c) to the financial statements refers). Not all liabilities are current and therefore are not required to be repaid within 12 months. Note 12 to the financial statements details the due dates for repayment of long term public and listed note issues.

More specific interpretative comments in relation to the financial statements follow.

Statement of Financial Performance

SAAMC's operations for the year ended 30 June 2001 resulted in a profit before income tax of \$37.4 million (\$30.2 million). The main components of that profit were:

- Net interest revenue for the year of \$14.5 million. Interest revenue of \$76.4 million comprised income received from the SAFA in respect of funding provided to that organisation and income from investments by the SAAMC Treasury. The interest expense of \$61.9 million was in respect of external borrowings. (Notes 3 and 4 to the financial statements refers.)
- Non-interest income of \$9.5 million. This included a mark to market gain of \$7.8 million (Note 3 to the financial statements refers).
- Net credit on account of bad and doubtful debts of \$15.3 million reflecting excess of recoveries over provisioning for the year. Note 5 to the financial statements refers.
- Staffing and General Administration Costs of \$1.8 million. Of that amount \$718 000 relates to service fees payable to SAFA for management of the SAAMC Treasury portfolio, and \$670 000 of legal and other professional services costs incurred in respect of the management and realisation of various assets. Note 4(b) to the financial statements refer.

Statement of Financial Position

Asset and Liabilities

Total assets at 30 June 2001 were \$1.5 billion compared with \$2.1 billion at 30 June 2000. Liquid and trading securities reduced by over \$500 000 with funds applied to the discharge of obligations associated with interest bearing securities. SAAMC still remains in a highly liquid position with \$1.4 billion invested in the SAFA, liquid foreign currency and Australian dollar securities. Note 9 to the financial statements refers.

Total liabilities at 30 June 2001 was \$1.2 million compared to \$1.8 million at 30 June 2000. The reduction in interest bearing liabilities continues in line with the maturity of various capital market raisings. Note 12 to the financial statements refers.

Shareholders' Equity

Shareholders equity attributable to the South Australian Government increased from \$297 million at 30 June 2000 to \$334.4 million at 30 June 2001. This increase resulted from a profit after income tax of \$37.4 million.

Retained Profits

Section 22 of the *State Bank of South Australia Act 1983* (as amended) provides that any surplus of funds remaining after the costs of SAAMC have been met in any financial year, must be paid into the Consolidated Account or otherwise dealt with as the Treasurer of South Australia may determine. The Treasurer has determined that SAAMC is to retain its current profit of \$37.4 million and its prior years retained earnings.

Retained profits at 30 June 2001 were \$279.4 million.

Reserves

SAAMC entered into a property put option in 1993-94 as part of the sale of the Australis property (now known as SA Water House). If the purchaser of the property exercises the put option in 2008, SAAMC will be required to purchase the property for \$39.5 million.

Should this event occur, SAAMC will be required to fund the full acquisition cost of \$39.5 million. In the event that the property is subsequently sold, SAAMC may need to fund the difference between the acquisition cost of \$39.5 million and the net proceeds from the sale of the property.

In recognition of these financial management considerations, SAAMC transferred in 1999-2000 and 2000-01 a portion of retained profits to a Property Reserve as part of a strategic objective of building up a reserve that may be required to fund either the partial or full acquisition of the Australis property in 2008. At 30 June 2001 the balance of the Property Reserve was \$2.3 million. Note 16 to the financial statements refers.

Statement of Cash Flows

The Statement of Cash Flows highlights the net receipts from trading securities of \$499.7 million and the net repayments of borrowings and deposits of \$514.3 million.

Cash flows also include interest received and interest paid.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
Interest revenue	3	76 437	120 294
Interest expense	4(a)	(61 925)	(113 298)
Net Interest Revenue		14 512	6 996
Non-interest income	3	9 495	14 046
(Charge) credit for bad and doubtful debts	5	15 274	11 981
Other expenses from ordinary activities	4(b)	(1 839)	(2 789)
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		37 442	30 234
Income tax expenses relating to ordinary activities	6	-	-
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSES		37 442	30 234
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		37 442	30 234

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
ASSETS:			
Cash on hand and at bank		5 684	12 604
Loans, advances and receivables	8	72 730	60 242
Liquid and trading securities	9	1 395 556	1 905 005
Property, plant and equipment	10	6 612	6 600
Other assets	11	30 425	154 560
Total Assets		1 511 007	2 139 011
LIABILITIES:			
Interest bearing liabilities	12	1 170 845	1 834 836
Payables	14	5 739	6 533
Provisions	13	6	667
Total Liabilities		1 176 590	1 842 036
NET ASSETS		334 417	296 975
SHAREHOLDERS' EQUITY:			
Share capital	15	52 716	52 716
Reserves	16	2 335	972
Retained profits	17	279 366	243 287
TOTAL SHAREHOLDERS' EQUITY		334 417	296 975
Commitments	19		
Contingent Liabilities	20		

Statements of Cash Flows for the year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		81 628	118 694
Interest paid		(81 029)	(119 206)
Other income received		778	3 991
Recovery of bad debts written off in previous years		21 949	12 926
Payments to trade creditors, other creditors and employees		(2 771)	(5 234)
Net Cash Flows provided by Operating Activities	22(b)	20 555	11 171
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net receipts(advances) from/to loans, advances and receivables		(12 834)	495 009
Net (payments) receipts for property, plant and equipment		(12)	(6 600)
Net (payments) receipts from trading securities		499 668	(506 335)
Net Cash Flows provided by (used in) Investing Activities		486 822	(17 926)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net receipts from (repayment of) borrowings		(377 710)	(83 105)
Net receipts from (repayment of) deposits		(136 585)	18 660
Net Cash Flows used in Financing Activities		(514 295)	(64 445)
NET DECREASE IN CASH HELD		(6 918)	(71 200)
CASH AT 1 JULY		12 604	83 804
CASH AT 30 JUNE	22(a)	5 684	12 604

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

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

(a) Basis of Preparation

South Australian Asset Management Corporation (SAAMC - referred to as the 'Corporation') is incorporated under the *State Bank of South Australian Act 1983* (as amended). On 1 July 1994, the Corporation changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the *State Bank of South Australia Act 1983* (as amended). The financial statements of the Corporation are prepared as if it were a prescribed corporation, as defined under section 409 of the *Corporations Act 2001*.

The general purpose financial report of the Corporation has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* so far as they are applicable to Australian banking operations, and with the *Public Finance and Audit Act 1987*. The accounting policies are consistent with those of the previous financial year, unless otherwise stated.

The Corporation vested the majority of its Australian banking operations to Bank of South Australia Limited (BankSA) on 1 July 1994. The vesting was facilitated by legislation passed in South Australia, the Commonwealth and other mainland State Parliaments. The Corporation retained certain Australian assets (that were excluded from the operations of BankSA), the majority of the wholesale funding liabilities as well as the overseas operations.

The Corporation's functions are to manage, realise and otherwise deal with its remaining assets and liabilities, and (with the approval of the Crown), other assets and liabilities of the Crown, or an instrumentality of the Crown, to the best advantage of the State of South Australia. For the purpose of performing its functions, the Corporation may carry on the general business of banking.

All assets of the Corporation which are onshore assets are marked-to-market and treated as current with the exception of an office building purchased in October 1999. Certain liabilities of the Corporation extend beyond 30 June 2001 and are detailed with their due dates in Note 12, Interest Bearing Liabilities.

(b) Reclassification of Financial Information

Some 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 standards AASB 1018 'Statement of Financial Performance', AASB 1034 'Financial Report Presentation and Disclosures' and the new AASB 1040 'Statement of Financial Position'.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the Statement of Financial Performance to Note 17.

(c) Asset Valuation Basis

The assets of the Corporation as they appear on the financial statements are mainly monetary assets and as such they have been marked-to-market. Non-monetary assets have been valued using historical costs. All assets with the exception of an office building in Adelaide purchased in October 1999 for \$6.6 million, are treated as current as the intention is that, where possible, they will be converted to cash within twelve months. The carrying amounts of these assets are revalued on an ongoing basis so that their market value is reflected on the entity's balance sheet with adjustments made to the Statement of Financial Performance.

(d) 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 acquisition of the asset or as part of an item of the expense.

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

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

(e) Bad and Doubtful Debts*Specific Provisions*

The charge against profits for provisions for doubtful debts reflects the net of new specific provisions less reversals of specific provisions no longer required. All known bad debts are written off against the provision in the period in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are recognised in the Statement of Financial Performance.

Where full recovery is considered doubtful on loans, advances and receivables and liquid and trading securities, specific provisions for doubtful debts are made, income recognition is discontinued and amounts received are held as an offset to principal. The assessment of an appropriate level of provisioning requires a large element of subjective judgement relating to many factors, including the ability of a borrower to generate cash flows and the net fair value of security held by the Corporation where a borrower defaults. These judgements, as at balance date, have necessitated consideration of the current state of the Australian and International economies, specific markets and future asset values.

(e) **Bad and Doubtful Debts (continued)**

Where a loan, advance, receivable and securities has been impaired and requiring a specific provision, that provision is calculated as the amount required to reduce the carrying value of that loan, advance, receivable or securities to the ultimate net fair value amount. The net fair value amount is determined as the recoverable amount of the assets measured on a current market value basis. In this context, the current market value means the price obtainable through an orderly sale less the costs expected to be incurred in obtaining the proceeds of such sale.

General Provisions

Invested liquid and trading securities constitute more than 99.6 percent of the assets of the Corporation. The Corporation has a policy of investing in securities rated A- or better and it has an active monitoring process in place, which ensures that assets downgraded below the approved limit are disposed of in the open market.

Due to the nature of these assets, the credit risk attached to each asset can be individually measured and a specific provision raised where necessary. Therefore a general provision is no longer maintained.

(f) **Derivative Financial Instruments**

The Corporation is exposed to changes in interest rates and foreign exchange rates from its activities. Prior to the 30 June 1994, the Corporation conducted a trading Treasury. When the banking operations were vested to BankSA, all the significant Treasury exposures were retained by the Corporation. The Corporation no longer trades in derivatives, though some minor positions are maintained. The Corporation has financial instruments, including interest rate and currency swaps, forward rate agreements, futures and options, which arose as part of the former trading activities. It also has financial instruments to hedge non-trading assets, liabilities and commitments of the Corporation. Instruments entered into as part of old trading activities continue to be marked-to-market with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Financial Performance. Gains and losses on instruments that are designated as hedges and are effective as hedges are accounted for on the same basis as the underlying instrument. The face values of such instruments are not recorded as assets and liabilities in the balance sheet. Any amounts receivable or payable in relation to these instruments are recorded as other assets or other liabilities. Details of these financial instruments are disclosed in Note 21, Financial Instruments, to the financial statements.

(g) **Leased Assets as Lessor**

Operating Leases

Operating leases for leased assets where the Corporation is the lessor are included in property, plant and equipment in the balance sheet. Rental income is brought to account in the period in which it is earned over the effective lease term.

The Corporation also owns a property, which is leased to the Department for Administrative and Information Services on a monthly tenancy basis. The property, which was purchased in October 1999 is covered by a long term lease and it is included in the Statement of Financial Position at its purchase price. Rental income is brought to account in the period in which it is earned. There are no depreciation charges against the asset as it is an investment property.

(h) **Foreign Currency**

All amounts are expressed in Australian currency at the exchange rate applying at balance date. Profits and losses of overseas operations are translated at average exchange rates for the year. Monetary assets and liabilities of overseas operations are translated at mid-point rates of exchange ruling at balance date. There were no non-monetary assets and liabilities in the overseas operations at balance date. Differences arising on the translation of financial statements of the overseas operations that are considered to be integrated are recognised in the Statement of Financial Performance.

Forward exchange contracts are translated at the forward rate applicable at balance date. The unrealised gains and losses arising from these revaluations are discounted to their present value using the mid-rate of the appropriate yield curve and included in the Statement of Financial Performance. It is policy to maintain a substantially matched position in foreign currency assets and liabilities and, accordingly, the Corporation's foreign currency exposure in this respect is not material.

(i) **Taxation**

The Corporation applies tax effect accounting using the liability method, where the income tax expense was matched to the accounting profit after permanent differences between taxable and accounting income, irrespective of when the income tax is payable.

The tax effect of timing differences, which arise from the recognition of revenue and expenses in different periods to those in which they are assessable or deductible for income tax purposes, is shown in the balance sheet and included in other assets and in other liabilities. Future income tax benefits, including tax losses, are not carried forward as an asset of the Corporation unless the benefit is virtually certain of being realised.

(j) **Employee Entitlements**

Employee entitlements as shown in Note 18 to the financial statements have been reported in accordance with Australian Accounting Standards Board AASB 1028, 'Accounting for Employee Entitlements'. The value of commitments to employees is based on planned departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure.

Wages, Salaries, Annual Leave and Sick Leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent the amount that the Corporation has a present obligation to pay, resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts, based on current wage and salary rates, and includes related on-costs.

Long Service Leave

The liability for employee entitlements to long service leave represents the estimated nominal cash value of the entitlement at the time of the expected departure.

Superannuation Funds

The Corporation contributes the prescribed Employer Contribution to the Triple S scheme administered by Super SA. Contributions are charged against income as they are made. Refer to Note 18, Employee Entitlements.

(k) Liquid and Trading Securities

Liquid and trading securities represent public and other debt instruments that are purchased with the intention of hedging the former trading portfolio, investing excess liquidity prior to the repayment to the South Australia Government, or as part of the liquidity management function of the Corporation. Such securities are recorded at market value. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Financial Performance.

(l) Rounding

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

2. Directions of the Treasurer

Section 22 of the *State Bank of South Australia Act 1983* (as amended), provides that any surplus of funds remaining after the costs of the Bank have been met in any financial year, must be paid into the Consolidated Account or otherwise dealt with as the Treasurer of South Australia may determine.

The Treasurer of South Australia has directed that \$nil (\$nil) be paid into the Consolidated Account and that the Corporation is to retain its accumulated surplus of \$279.4 million until such time as final determination is made.

3. Revenue from Ordinary Activities

Profit from Ordinary Activities before Related Income Tax Expense has been determined after crediting as Revenue	2001	2000
	\$'000	\$'000
Interest Income:		
South Australian Government Financing Authority	2 803	13 245
Other interest income	73 634	107 049
Total Interest Income	76 437	120 294
Non-interest Income:		
Rental	1 947	1 562
Foreign exchange income	(304)	149
Mark-to-market gain	7 847	10 292
Other sundry income	5	2 043
Total Non-Interest Income	9 495	14 046

4. (a)**Interest Expense**

Profit from Ordinary Activities before related Income Tax Expense has been determined after debiting as Expense Interest expense

Total Interest Expense

61 925	113 298
61 925	113 298

(b)**Other Expenses from Ordinary Activities**

Profit from Ordinary Activities before related income tax expense has been determined after charging as Expense the following:

Staff Costs:

Fringe benefits tax	16	(1)
Long service leave and annual leave	-	6
Payroll tax	5	4
Salaries and wages	237	376
Superannuation and retiring allowances	21	21
Other staff expenses	(132)	3
Staff Costs	147	409

Occupancy Costs:

Rates and taxes	83	14
Repairs and maintenance	(17)	56
Occupancy Costs	66	70

Administration and General Costs:

Amounts due or received for audit services by:

Auditor-General of South Australia	27	-
Insurance	(16)	(46)
Management and service fees paid to SAFA	718	700
Legal fees	499	1 126
Other Professional fees (European Banking Clearing)	171	147
Consultancies	15	306
Telephones	4	5
Travel	6	20
Other expenses	*202	52
Administration and General Costs	1 626	2 310
Total Other Expenses	1 839	2 789

+ The 2001 amount includes \$164 000 in security storage charges for past State Bank Records held in compliance with the *State Records Act 1997*

5. Bad and Doubtful Debts	2001	2000
Profit from Ordinary Activities before related income tax expense has been determined after Charging as an Expense (refer to Note 1e):	\$'000	\$'000
Net charge (credit) for bad debts written off:		
Bad debts charge (credit) - Other	-	(506)
Less: Recoveries net of recovery costs - Other	(21 949)	(9 050)
Net Charge (Credit) for Bad Debts Written off	(21 949)	(9 556)
Charge for provision for doubtful debts:		
General provision for doubtful debts (Note 8)	-	(2 306)
Specific provision for doubtful debts - Other (Note 9)	6 675	(119)
Charge (credit) for provision for doubtful debts	6 675	(2 425)
Charge (Credit) for Bad and Doubtful Debts	(15 274)	(11 981)
6. Income Tax		
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense (benefit) calculated at 34 percent (2000: 36 percent) on profit	12 730	10 884
Decrease in income tax expense (benefit) due to non-tax assessable items:		
Tax exempt income - SAAMC	12 730	10 511
Sundry items	-	(20)
	12 730	10 491
Income tax expense (benefit) on profit adjusted for permanent differences:		
Income tax under (over) provided in prior year	-	393
Tax rate differential on overseas income	-	(238)
Tax rate differential on overseas income	-	(33)
Future income tax benefit not brought to account	-	(122)
Total Income Tax Expense (Benefit)	-	-
Future income tax benefit not brought to account:		
The potential future income tax benefit calculated at 34 percent arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain:		
Tax losses carried forward	449	710
Timing differences	-	-
Capital timing differences - Realised	-	-
Capital timing differences - Unrealised	-	-
	449	710
The potential future income tax benefit will only be obtained if:		
(i) the Corporation derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, (refer Note 1).		
(ii) the Corporation continues to comply with the conditions for deductibility imposed by the law.		
(iii) no changes in tax legislation adversely affect the Corporation in realising the benefit.		
The tax losses of \$449 000 carried forward in SAAMC reflect losses in the NZ branch, which will be held for another year pending the settlement of an outstanding claim by SAAMC under NZ jurisdiction.		
7. Segmental Reporting	2001	2000
Geographic Segments	\$'000	\$'000
Revenue:		
Australia	85 932	134 241
New Zealand	-	86
United Kingdom	-	12
United States of America	-	1
Total Revenue	85 932	134 340
Profit after Tax:		
Australia	36 635	28 942
New Zealand	807	1 162
United Kingdom	-	133
United States of America	-	(3)
Total Profit After Tax	37 442	30 234
Total Assets:		
Australia	1 510 951	2 138 899
New Zealand	56	112
United Kingdom	-	-
United States of America	-	-
Total Assets	1 511 007	2 139 011

7. Segmental Reporting (continued)**Industry segments**

The Corporation has operated predominantly in the financial services industry during the course of the year comprising investing, recovery of outstanding debts and management of treasury risks.

8. Loans, Advances and Receivables

	2001	2000
	\$'000	\$'000
South Australian Government Financing Authority	33 151	20 779
Other term lending	39 579	39 463
Total Loans, Advances and Receivables (Gross)	72 730	60 242
Less: General provision for doubtful debts	-	-
Less: Specific provision for doubtful debts	-	-
Total Loans, Advances and Receivables (Net)	72 730	60 242

General Provision:

Balance at 1 July	-	2 306
Charged (credited) against profit (Notes 1e, 5)	-	(2 306)
General Provision at 30 June	-	-

Specific Provision:

Balance at 1 July	-	6 006
Charged (credited) against profit (Note 1e,5)	-	(5 619)
Exchange rate fluctuations	-	-
Bad debts written back	-	(387)
Specific Provision at 30 June	-	-

9. Liquid and Trading Securities

Listed:

Local/semi government securities	-	14 100
Total Listed	-	14 100

Unlisted:

Interbank, corporate and other securities (gross)	1 407 731	1 896 405
Less: Specific provision for doubtful debts	(12 175)	(5 500)
Total Unlisted (Net)	1 395 556	1 890 905
Total Liquid and Trading Securities	1 395 556	1 905 505

Specific Provision:

Balance at 1 July	5 500	-
Charged (credited) against profit (Notes 1e, 5)	6 675	5 500
Specific Provision at 30 June	12 175	5 500

10. Property, Plant and Equipment

Land and Buildings:

At cost	6 612	6 600
Total Land and Buildings	6 612	6 600

The independent valuation of the Corporation's freehold land and buildings carried out as at 30 June 2001 by Tim Trnovsky AAPI, a Certified Practising Valuer from FPDSavills on the basis of open market values for existing use, resulted in a valuation of land \$1 950 000 and a valuation of buildings of \$7 850 000. As the Corporation's land and buildings are recorded at cost (\$6 612 000) the valuation has not been brought to account.

11. Other Assets

	2001	2000
	\$'000	\$'000
Receivables on swap or hedge transactions	30 407	153 795
Other sundry debtors	18	765
Total Other Assets	30 425	154 560

12. Interest Bearing Liabilities

Deposits	226 649	377 362
Capital markets raisings	944 196	1 457 474
Total Borrowings	1 170 845	1 834 836

Capital market raisings represent public, listed or private note issues by the Corporation. The Australian dollar equivalent of the face value payable at maturity for public and listed note issues are as follows:

Currency	Original Face Value	Description		
AUD	125.0m	6.5% notes due 2000	-	119 000
AUD	442.0m	6% deep discount due 2001	-	195 170
AUD	200.0m	11% notes due 2002	72 140	86 588
NZD	40.3m	9% notes due 2002	32 216	31 590
AUD	125.0m	9.5% notes due 2002	45 542	59 027
AUD	125.0m	10.5% notes due 2003	60 927	67 666

SA Asset Management Corporation

12.	Interest Bearing Liabilities (continued)		2001	2000
	Exchange Rates		\$'000	\$'000
	The Australian dollar values of the above note issues were determined using the following exchange rates:			
	Australian Dollars (AUD)		1.00000	1.00000
	New Zealand Dollars (NZD)		1.25092	1.27572
13.	Provisions			
	Employee entitlements, including on-costs (Note 18)		6	667
	Total Provisions		6	667
14.	Payables			
	Sundry creditors and accruals		5 739	6 533
	Total Other Liabilities		5 739	6 533
15.	Capital			
	Subscribed by the South Australia Government:			
	Balance at 1 July		52 716	52 755
	Transfer from (to) reserves		-	(39)
	Balance at 30 June		52 716	52 716
	Total Subscribed Capital		52 716	52 716
16.	Reserves			
	Asset revaluation:			
	Balance at 1 July		-	326
	Transfer to retained profits		-	(326)
	Balance at 30 June		-	-
	Asset realisation:			
	Balance at 1 July		-	2 261
	Transfer to retained profits		-	(2 261)
	Balance at 30 June		-	-
	Capital redemption:			
	Balance at 1 July		-	-
	Transfer (to) from capital		-	39
	Transfer to retained profits		-	(39)
	Balance at 30 June		-	-
	Property:			
	Balance at 1 July		972	-
	Transferred from retained profits		1 363	972
	Balance at 30 June		2 335	972
	Total Reserves		2 335	972

Property Reserve

As detailed in Note 20 'Contingent Liabilities', the Corporation entered into a property put option in 1993-94 as part of the sale of the Australis property, now known as SA Water House. If the purchaser of the property exercises the put option in 2008, the Corporation will be required to purchase the property for \$39.5 million.

Should this event occur, the Corporation will be required to fund the full acquisition cost of \$39.5 million. In the event that the property is subsequently sold, the Corporation may need to fund the difference between the acquisition cost of \$39.5 million and the net proceeds from the sale of the property.

In recognition of these financial management considerations, the Directors have resolved to transfer a portion of retained profits to a Property Reserve as part of a strategic objective of building up a reserve that may be required to fund either the partial or full acquisition of the Australis property in 2008.

17.	Retained Profits	Note	2001	2000
			\$'000	\$'000
	Retained profits at beginning of year		243 287	211 397
	Net profit attributable to the Corporation		37 442	30 234
	Transfer from revaluation reserve	16	-	2 628
	Transfer to property reserve	16	(1 363)	(972)
	Retained Profits at the End of the Year		279 366	243 287
18.	Employee Entitlements			
	Aggregate employee entitlements, including on-costs:			
	Current		6	667
	Non-current		-	-
		13	6	667

18. Employee Entitlements (continued)**Superannuation Commitments**

The Corporation contributes to an accumulation benefit employee fund, which is administered by Super SA. Employer contributions to the fund are made in accordance with the funds requirements.

The Corporation had one-part time and two temporary employees as at balance date. There was one full time and two temporary employees at the same period last year.

19. Commitments	2001	2000
Lease Commitments	\$'000	\$'000
Concurrent leases payable or contracted for at balance date but not provided for in the financial statements:		
Not later than one year	5 309	5 090
Later than one year but not later than two years	5 533	5 309
Later than two years but not later than five years	18 050	17 314
Later than five years	16 187	22 256
	<u>45 079</u>	<u>49 969</u>

These commitments are offset by lease payments to be received, which are estimated to be \$45 788 000 (\$50 595 000).

20. Contingent Liabilities**Guarantees**

Guarantees, warranties and indemnities	-	<u>2 269</u>
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There are corresponding contingent assets in respect of the major portion of these contingent liabilities.

Claims against the Corporation

In the ordinary course of business, the Corporation is involved in litigation which, at the date of adoption of these financial statements, has not been resolved. Acting on legal advice, the Directors are of the opinion that no material losses are likely to arise other than the amounts provided for in the financial statements.

Treasurer's Indemnity

By a Deed dated 1 July 1994, the indemnity provided by the Treasurer of South Australia to South Australian Asset Management Corporation (SAAMC) was revoked, with both parties acknowledging that no claims were outstanding. The effect of the Deed was to terminate the South Australian Treasurer's obligation to grant indemnity in respect of losses that had not yet been claimed as at 1 July 1994.

Set Off and Extinguishment of Debt

The Corporation entered into a transaction in 1990 and maturing in 2005 for financial assets and liabilities with face values of \$542 million. These assets and liabilities are not recognised in the financial statements because the Corporation:

- (a) has a legally recognised right to set off the asset and liability;
- (b) intends to realise the asset and settle the liability simultaneously.

Put Option

A property put option was entered into in 1993-94 as part of the sale arrangements of the Australis property, now known as SA Water House.

At the time of sale, Group Asset Management Division (GAMD) (as head lessee) entered into a 15 year lease with the purchaser in relation to a substantial portion of the building, which was backed in cash flow terms against a pre-existing 15 year lease between GAMD and the then Minister for Public Infrastructure (as sub lessee) over the same portion of the building. In addition, GAMD undertook to purchase the building for \$39.5 million in 2008, at the current purchaser's option, if the value of the building at the time is lower than the agreed \$39.5 million.

The risk that the value of the building in 2008 will be less than \$39.5 million is considered low on the basis of an assessment of the property by FPDSavills on the 30 June 2001.

21. Financial Instruments

	2001	2000
	\$'000	\$'000
Foreign exchange, interest rate and other market related transactions	<u>3 653 000</u>	<u>4 515 000</u>

These are transactions in which SAAMC and other parties agreed to exchange a stream of cash flows based on notional principal amounts totalling \$3.653 billion where one stream is calculated with reference to a rate or index (eg floating interest rate) and the other stream is calculated based on a different rate or index (eg fixed rate).

Derivatives are mainly used to hedge risk. They allow the entity to manage various degrees and types of risk, the most significant being market, credit and liquidity risk.

Market Risk

Market risk is the risk associated with changes in the streams of cash flows from one party to another due to changes in the market value of the asset which the derivative is used to protect.

Mark-to-Market

The Corporation currently has one portfolio of underlying assets where mark-to-market accounting is used. This portfolio was a trading portfolio in the Corporation prior to 30 June 1994.

All positions, including derivatives held in the mark-to-market portfolio, are revalued on a daily basis to reflect market movements, with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Financial Performance.

Mark-to-Market (continued)

The following table summarises the notional value of derivatives as at 30 June 2001, which are accounted for on a mark-to-market basis. The amounts disclosed are notional contract amounts only, which do not represent amounts exchanged by the parties (except in the case of cross-currency swaps and forward exchange contracts) and, as such, are not a measure of the exposure of the Corporation through its use of derivatives.

	2001 \$'000	2000 \$'000
Interest rate swaps and forward rate agreements	913 000	1 567 000
Futures	30 000	122 000
Cross-currency swaps	566 000	548 000
	<u>1 509 000</u>	<u>2 237 000</u>

Accrual

The Corporation holds derivatives for hedging purposes. Cross-currency swaps and forward rate agreements are used to hedge foreign currency bond issues and deposits. Interest income and expense on these derivative instruments are brought to account on an accrual basis.

The following table summarises the notional value of derivatives accounted for on an accruals basis:

	2001 \$'000	2000 \$'000
Cross-currency swaps	811 000	965 000
Interest rate swaps	1 333 000	1 413 000
	<u>2 144 000</u>	<u>2 378 000</u>

In the financial statements of the Corporation the revaluation of the cross currency swaps has been netted against the borrowings, as the purpose of these swaps is to hedge the foreign currency borrowings.

Credit Risk

Credit risk arises on derivative financial instruments because of the possibility that the counterparty to the derivative contract will be unable to settle when it is due.

Derivative transactions, such as futures and exchange traded options where the trades are booked through a recognised futures exchange, are considered to have minimal credit risk.

For other derivative transactions, credit risk is monitored by the marking of both the exchange rate and the interest rates to market against predetermined Board approved limits.

The Corporation also assesses the credit risk of derivatives on a market replacement risk basis using a formula that takes into account the interest rate or exchange rate movements over the life of the derivative. As a condition of a novation of a large proportion of the Corporation's swaps entered into during the year ended 30 June 1997, a Bilateral Security Agreement was entered into which allowed the Corporation to limit its credit exposure on certain transactions. This agreement ensures that credit exposures on the transactions subject to this agreement are kept within pre agreed mark-to-market parameters through a margining procedure.

The Corporation has a number of credit exposure to several counter parties, including government and semi-government instrumentalities.

Interest Rate Risk Management

The Corporation enters into various types of interest rate contracts in managing its interest rate risk as indicated in the following table. The amounts disclosed are notional contract amounts only which do not represent amounts exchanged by the transaction and are not a measure of the exposure of the Corporation through its use of derivatives.

	2001 \$'000	2000 \$'000
Interest rate swaps	2 126 000	2 780 000
Interest rate futures	30 000	122 000
	<u>2 156 000</u>	<u>2 902 000</u>

Interest Rate Risk Exposures

The tables below show the interest rate exposure of financial assets and liabilities net of interest rate swaps. Interest rate swaps are used to manage interest rate risk exposure. The maturity profile of the Corporation's swaps is shown later on in this Note.

The Board has set limits and the Corporation uses derivatives to manage its interest rate risks within those limits on the dollar-per-point exposure within set maturity pools. Basis risk is also managed within limits set by the Board.

	Note	Floating Interest Rate \$'000	2001 Fixed Interest Maturing In			Non- Interest Bearing \$'000	Total \$'000
			One Year or Less \$'000	Over 1 year to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:							
Cash		5 684	-	-	-	-	5 684
Short term investments		-	-	-	-	-	-
Loans, advances and receivables	8	68 301	4 429	-	-	-	72 730
Liquid and trading securities	9	1 395 556	-	-	-	-	1 395 556
Other financial assets:							
Net swap receivables	11	-	-	-	-	30 407	30 407
Other sundry debtors	11	-	-	-	-	18	18
		<u>1 469 541</u>	<u>4 429</u>	<u>-</u>	<u>-</u>	<u>30 425</u>	<u>1 504 395</u>
Weighted average interest rate percent		5.64	5.33				

Interest Rate Risk Exposures (continued)

	Note	Floating Interest Rate \$'000	2001 Fixed Interest Maturing In			Non- Interest Bearing \$'000	Total \$'000
			One Year or Less \$'000	Over 1 year to 5 Years \$'000	More than 5 Years \$'000		
Financial Liabilities:							
Borrowings:							
Deposits	12	226 649	-	-	-	-	226 649
Capital market raisings	12	944 196	-	-	-	-	944 196
Other financial liabilities	14	-	-	-	-	5 739	5 739
		1 170 845	-	-	-	5 739	1 176 584

Weighted average interest rate percent **5.62**

	Note	Floating Interest Rate \$'000	2000 Fixed Interest Maturing In			Non- Interest Bearing \$'000	Total \$'000
			One Year or Less \$'000	Over 1 year to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:							
Cash		12 604	-	-	-	-	12 604
Short term investments		-	-	-	-	-	-
Loans, advances and receivables	8	55 929	4 313	-	-	-	60 242
Liquid and trading securities	9	1 905 005	-	-	-	-	1 905 005
Other financial assets:							
Net swap receivables	11	-	-	-	-	153 795	153 795
Other sundry debtors	11	-	-	-	-	765	765
		1 973 538	4 313	-	-	154 560	2 132 411

Weighted average interest rate percent **5.62** **6.08**

Financial Liabilities:							
Borrowings:							
Deposits	12	377 362	-	-	-	-	377 362
Capital market raisings	12	1 457 474	-	-	-	-	1 457 474
Other financial liabilities	14	-	-	-	-	6 533	6 533
		1 834 836	-	-	-	6 533	1 841 369

Weighted average interest rate percent **5.43**

Foreign Exchange Risk Management

The Corporation enters into cross-currency swaps and forward exchange contracts to hedge foreign currency borrowings, principally Japanese Yen, as the following table indicates. These amounts are converted at the balance date exchange rates:

	2001	2000
	\$'000	\$'000
Cross-currency swaps	1 377 000	1 513 000

The Corporation has borrowed in a number of currencies and it uses cross-currency swaps and forward foreign exchange contracts to hedge principal and interest.

The Corporation's foreign currency borrowings in Australian dollar equivalent as at 30 June:

Japanese Yen (YEN)	714 424	712 271
New Zealand Dollar (NZD)	32 216	31 590
European Currency Units (ECU)	-	146 808

Liquidity Risk

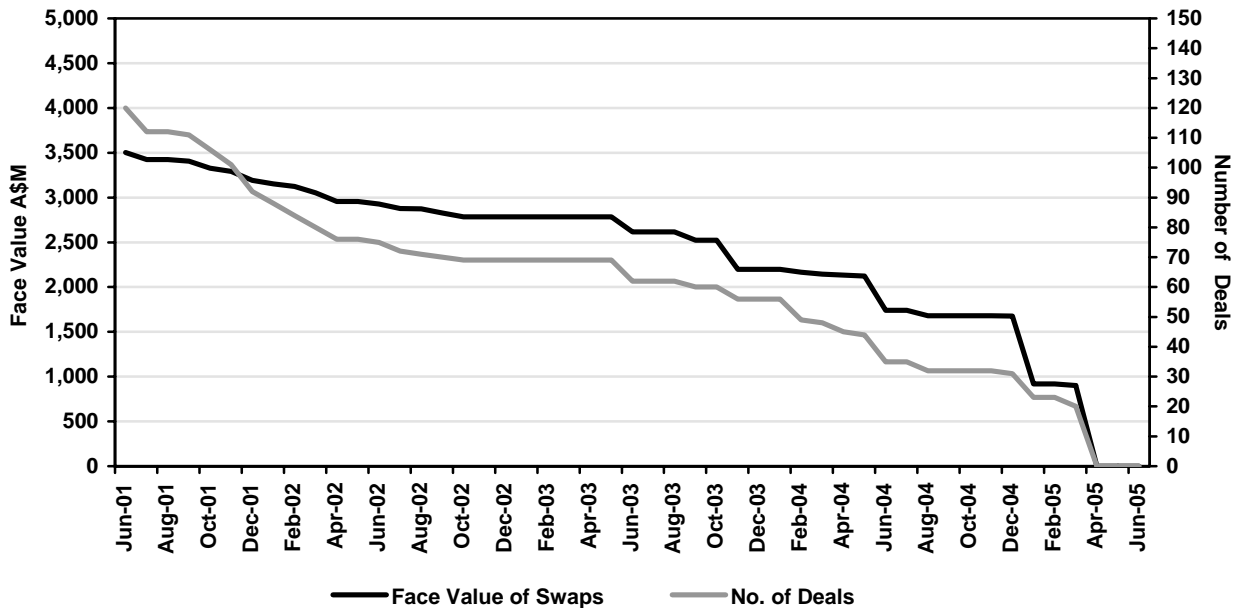
Liquidity risk arises from the possibility that the Corporation could, theoretically some time in the future either be forced to sell a derivative position at a value that is below its underlying worth, or that it may be unable to exit the position at all. The Corporation however manages the risks on a continuous basis using the services of SAFA and S G Australia Ltd.

In order to counter such risk, the Corporation has concentrated its derivative activities in highly liquid markets. Approximately 62 percent (64 percent) of notional principal outstanding as at 30 June 2001 was represented by forward foreign exchange contracts, interest rate swaps and exchange traded futures and options. The remainder of the portfolio is mainly cross-currency swaps, which are hedging foreign currency borrowings.

Maturity Profile of Swaps

Interest rate and cross-currency swaps are responsible for 98 percent (97 percent) of the off-balance sheet exposures. The remaining exposures are short term. The following graph summarises the run off of swaps by number and by value.

Maturity Profile of Swaps as at 30 June 2001



Net Fair Value of Financial Instruments

The Corporation records derivatives other than cross-currency swaps and interest rate swaps held in the accrual book, at a net fair value (mark-to-market) in the financial statements. Net fair value is defined as the amount at which the instrument could be exchanged in a market transaction between willing parties. For those derivatives where market prices are unavailable, the cash flows have been discounted using the mid rate of the appropriate yield curve to arrive at a net fair value, as at 30 June 2001.

22. Notes to the Statements of Cash Flows

(a) Reconciliation of Cash

Cash as at 30 June as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheet as follows:
Cash on hand and at bank

Cash at 30 June in the Statement of Cash Flows

(b) Reconciliation of Net Cash Flows from Operating Activities to Profit after Income Tax

Profit after income tax
Add (Less): Non-cash items:
Amounts credited to provisions against assets
Bad debts charge (credit)
Non-cash effect of mark-to-market adjustments
Net Cash provided by Operating Activities before change in Assets and Liabilities

Changes in assets and liabilities
Decrease in other sundry debtors
(Increase) Decrease in prepayments
Increase in net interest accrued
Decrease in sundry creditors and accruals
Decrease in employee entitlements
Decrease in provisions

Net Cash Flows provided by (used in) Operating Activities

	2001 \$'000	2000 \$'000
Cash on hand and at bank	5 684	12 604
Cash at 30 June in the Statement of Cash Flows	5 684	12 604
Profit after income tax	37 442	30 234
Amounts credited to provisions against assets	-	(119)
Bad debts charge (credit)	(15 274)	(11 920)
Non-cash effect of mark-to-market adjustments	(8 717)	(10 055)
Net Cash provided by Operating Activities before change in Assets and Liabilities	13 451	8 140
Decrease in other sundry debtors	747	-
(Increase) Decrease in prepayments	-	-
Increase in net interest accrued	7 810	7 015
Decrease in sundry creditors and accruals	(794)	(2 686)
Decrease in employee entitlements	(659)	(243)
Decrease in provisions	-	(1 055)
Net Cash Flows provided by (used in) Operating Activities	20 555	11 171

23. Directors' Remuneration

Directors' Income

The number of directors on the Corporation's board whose income (including superannuation but excluding redundancy payments and other employee entitlements) from the Corporation falls within the following bands:

\$110 000 - \$119 999
\$150 000 - \$159 999

	2001 Number of Directors	2000 Number of Directors
\$110 000 - \$119 999	1	-
\$150 000 - \$159 999	-	1

Total income paid or payable, or otherwise made available to all Directors of the Corporation from the Corporation.

	2001 \$'000	2000 \$'000
Total income paid or payable, or otherwise made available to all Directors of the Corporation from the Corporation.	118	155

In the year ended 30 June 2000, in addition to the \$155 000, fee payments were made to the Department of Treasury and Finance and the Attorney-General's Department for services provided by Mr J.J. Ullianich, Mr J T Hill, Ms K A Moore and Mr T C Evans

24. Executives' Remuneration

The number of Executive Officers of the Corporation whose income (including superannuation, but excluding redundancy payments, long service leave and annual leave accrued and paid out) from the Corporation falls within the following bands:

\$110 000 - \$119 999
\$150 000 - \$159 999

	2001	2000
	Number of Executives	Number of Executives
	1	-
	-	1
	2001	2000
	\$'000	\$'000
	118	155

Total income paid or payable or otherwise made available by the Corporation to Executive Officers of the Corporation whose income exceeds \$100 000

25. Related Party Disclosures**Directors**

The names of each person holding the position of Director of South Australian Asset Management Corporation (SAAMC) during the financial year ended 30 June 2001 are as follows:

Mr Joseph J Ullianich
Mr John T Hill
Mr Terence C Evans

Ms Kathryn A Moore
Mr Andrew G Anastasiades

Directors' Other Transactions

No other transaction took place between the directors of SAAMC and related entities and their related parties, including director related entities.

South Australian Government Financing Authority (SAFA)

Related party transactions with SAFA are disclosed in Note 3, Operating Income and Note 8, Loans, Advances and Receivables. In addition, the Corporation and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

Treasurer of South Australia

Related party transactions with the Treasurer of South Australia are disclosed in Note 1(a) and Note 15, Capital.

26. Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely in the opinion of the Directors of the Corporation, to affect significantly the operations of the Corporation, the results of those operations, or the state of affairs of the Corporation, in subsequent financial years.

SOUTH AUSTRALIAN FINANCE TRUST LIMITED

FUNCTIONAL RESPONSIBILITY

The South Australian Finance Trust Limited (SAFTL) was incorporated in November 1985 with the approval of the Treasurer and operates in accordance with the provisions of the Corporations Law.

SAFTL's purpose was to hold certain assets and liabilities in respect of transactions relating to the funding of certain public sector assets undertaken. All of SAFTL's remaining financial transactions matured during the year, and the directors have proposed that the company will be wound up during the 2001-02 financial year.

SIGNIFICANT FEATURES

SAFTL's operations were considerably reduced during the year with the maturing of its remaining loans and investments.

A net profit before tax of \$33 000 was made for the year ending 30 June 2001.

A dividend of \$1.1 million was paid to the South Australian Government Financing Authority (SAFA) during the financial year.

SAFTL did not undertake any new transactions in 2000-01.

AUDIT MANDATE AND COVERAGE

Audit Authority

The audit of SAFTL is conducted in accordance with the provisions of subsection 31(1)(b) of the *Public Finance and Audit Act 1987*.

Scope of Audit

Accounting and financial services for SAFTL are performed by SAFA. Audit review of SAFTL was therefore included within the scope of the audit of SAFA. The audit covered all major areas of financial operations including assessment of the adequacy of internal controls operating in the financial systems.

Audit Communications to Management

No matters arose in respect of SAFTL.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure in respect to SAFTL was assessed as satisfactory. Commentary on SAFA's internal control systems are recorded in the section of this Report relating to SAFA.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Finance Trust Limited 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 Finance Trust Limited 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

There was a reduction in the SAFTL's Statement of Financial Position with total assets reducing by \$11.28 million and total liabilities decreasing by \$10.2 million. The reduction primarily reflects the maturing of certain investments and borrowings with SAFA during the 2000-01 year.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INCOME:			
Interest on:			
Loans		-	3 341
Investments		242	1 132
Total Income		242	4 473
LESS EXPENDITURE:			
Interest on borrowings		180	4 319
Administration and fees		29	107
Total Expenditure		209	4 426
PROFIT BEFORE INCOME TAX		33	47
Income tax expense	3	11	17
NET PROFIT		22	30
TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		22	30

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Future income tax benefit		3	3
Interest accrued on loans and investments		-	3 732
Investments	2	104	7 648
Total Current Assets		107	11 383
Total Assets		107	11 383
CURRENT LIABILITIES:			
Creditors		21	55
Interest accrued on borrowings		-	27
Provisions	3	12	18
Borrowings	4	-	10 131
Total Current Liabilities		33	10 231
Total Liabilities		33	10 231
NET ASSETS		74	1 152
EQUITY:			
Share capital	5	0	0
Retained profits	6	74	1 152
TOTAL SHAREHOLDERS' EQUITY		74	1 152

Statement of Cash Flows for the year ended 30 June 2001

	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest on loans	31	531
Interest on investments	31	503
Interest on borrowings	(207)	(3 486)
Income tax paid	(16)	(47)
Administration fees	(65)	(105)
Net Cash used in Operating Activities	(226)	(2 604)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayments of loans	3 702	106 384
Proceeds from sale of investments	7 859	54 410
Loan advances	-	(7 303)
Payments for purchase of investments	-	(23 337)
Net Cash provided by Investing Activities	11 561	130 154
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new borrowings	-	25 193
Repayments of borrowings	(10 131)	(154 638)
Dividend distribution to SAFA	(1 100)	-
Net Cash used in Financing Activities	(11 231)	(129 445)
NET INCREASE (DECREASE) IN CASH HELD	104	(1 895)
CASH AT 1 JULY	-	1 895
CASH AT 30 JUNE	104	-

NOTES TO THE STATEMENT OF CASH FLOWS AS AT 30 JUNE 2001

(a)	Reconciliation of Cash	2001	2000
		\$'000	\$'000
	Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts	104	-
	Cash	104	-
<hr/>			
(b)	Reconciliation of Operating Profit After Income Tax to Net Cash used for Operating Activities		
	Net profit	22	30
	Decrease in accrued interest income	3 732	(3 586)
	Decrease in accrued interest expense	(27)	(693)
	Amortisations of loans and investments	(3 913)	3 700
	(Decrease) in provisions	(6)	(31)
	(Increase) Decrease in debtors	-	-
	Increase (Decrease) in creditors	(34)	3
	Decrease in interest received in advance	-	(2 707)
	Decrease in interest paid in advance	-	680
	Net Cash used in Operating Activity	(226)	(2 604)
<hr/>			
(c)	All cash flows are presented on a gross basis.		

NOTES TO AND FORMING PART OF THE ACCOUNTS

1.	Summary of Significant Accounting Policies and Factors which have been Significant in the Preparation of the Accounts		
	The South Australian Finance Trust Limited (SAFTL) is a public company registered under the Corporations Law. In addition, SAFTL has been prescribed by regulation under the South Australian <i>Public Finance and Audit Act 1987</i> as a public authority and a prescribed public authority, which requires that its Annual Report be tabled in Parliament.		
	The company is beneficially owned by the Treasurer of South Australia who retains control of the company through his control of the shareholdings. All obligations of SAFTL are guaranteed by the Treasurer pursuant to section 19 of the South Australian <i>Public Finance and Audit Act 1987</i> .		
(a)	The accounts are prepared in accordance with the historical cost convention and do not take account of changing money values or current valuation of assets. The accounts have been drawn up in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, the Corporations Law, and the requirements of the Treasurer's Instructions issued pursuant to the South Australian <i>Public Finance and Audit Act 1987</i> . SAFTL is not considered a financial institution as per the definition of Australian Accounting Standard Board AASB 1032 'Specific Disclosures by Financial Institutions' as it raises funds principally from other entities in the economic entity.		
(b)	Discounted assets and liabilities are amortised at the yield implicit in the transaction.		
(c)	Non Current Assets are carried at recoverable amount in accordance with Australian Accounting Standard Board AASB 1010 'Accounting for the Revaluation of Non-Current Assets'. When the carrying value of any non-current asset is greater than its recoverable amount it will then be written down to recoverable amount. The net cash flows included in determining the recoverable amount of non current assets have not been discounted to their present value using market yields but as stated in Note I(b) are amortised at the yield implicit in the transaction.		
(d)	Income Tax Tax effect accounting procedures are followed whereby the income tax expense in the Operating Statement is matched with the accounting profit, after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside at current rates to the deferred income tax liability and future income tax benefits account as applicable. SAFTL commenced under the Tax Equivalent Regime (TER) as from 1 July 1995 and brought forward in full its Commonwealth jurisdiction tax history and continues to be assessed under the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i> .		
(e)	Employee Benefits The company is charged an administration fee by SAFA. The fee includes an amount to cover the salaries and entitlements of employees performing duties for SAFTL. Consequently, there are no provisions for employee entitlements.		
(f)	Rounding Off SAFTL is a company of the kind referred to in Regulation 3.6.05(6) of the Corporations Regulations and unless otherwise shown, the amounts in the accompanying accounts have been rounded off, to the nearest one thousand dollars in accordance with section 311 of the Corporations Law and that Regulation.		
(g)	Zero represents balances less than \$500.		
2.	Investments	2001	2000
	Current:	\$'000	\$'000
	Deposits	104	-
	Bills of exchange	-	7 648
	Total Investment	104	7 648

2.1 Investment in a Corporation not being a subsidiary**SABT Pty Ltd**

One Ordinary 'A' class share of \$1 representing 50 percent of the issued and paid-up capital of SABT Pty Ltd is held by SAFTL. SABT Pty Ltd has been inactive since December 1999 and is expected to be wound up during 2001-02.

3. Provisions		2001	2000
Income tax		\$'000	\$'000
The prima facie tax payable on operations is calculated as follows:			
Operating profit before income tax		33	47
		<hr/>	<hr/>
Income tax expense attributable to operation profit (at 34 percent)		11	*17
Tax effect of timing differences		-	(1)
Prepaid income tax		-	-
Provision for tax payable		11	16
Other		1	2
Total Provisions		12	18

* Income tax expense at 36 percent

4. Borrowings			
Current:			
Borrowings from SAFA		-	10 131
Total Borrowings		-	10 131

5. Share Capital			
Authorised ordinary shares 100 000 of \$1 each		100	100
		<hr/>	<hr/>
Issued ordinary shares 5 of \$1 each		0	0

6. Retained Profits			
Balance at the beginning of the year		1 152	1 122
Add: Net profit		22	30
Less: Dividend distribution to SAFA		1 100	-
Retained Profits at the end of the Year		74	1 152

7. Auditors' Remuneration			
Amounts paid to the auditors for auditing the accounts of the Company		3	2

8. Segment Reporting
The company predominantly operates in one geographical segment, Australia, and its activities are confined to the holding of certain assets and liabilities in respect of transactions relating to the funding of public sector assets undertaken several years ago.

9. Remuneration of Directors
Directors of SAFTL receive no remuneration from the company.

10. Remuneration of Executives
The company does not directly employ any executives. Instead, it pays an administration fee to SAFA to cover, inter alia, the remuneration of costs incurred in performing duties for SAFTL.

11. Indemnity Fee
In consideration of certain undertakings given by the company and of guarantee fees payable to SAFA, it has been agreed that SAFA will pay a fee to the company in respect of six monthly accounting periods where it is shown that income of SAFTL is insufficient to meet aggregate borrowing costs and expenses properly incurred in the normal course of business. The amount of the fee is not less than an amount certified in writing by the directors as being the deficiency between income and such costs and expenses in the relevant accounting period. There was no fee payable in 2000-01.

12. Receivables and Payable Maturity Analysis		2001	2000
Debts payable:		\$'000	\$'000
Not later than one year		33	10 231
		<hr/>	<hr/>
Debts receivable:			
Not later than one year		107	11 383

13. Additional Financial Instrument Disclosures**Interest Rate Risk**

SAFTL's exposure to interest rate risk, repricing maturities and effective interest rates on financial instruments at 30 June 2001 is detailed below:

Liabilities:	Weighted Average Effective Interest Rate Percent	Non-Interest Bearing \$'000	Securities contracted to mature or reprice in		Total \$'000
			3 months or less \$'000	3 months to 1 year \$'000	
Borrowings	0.00	33	-	-	33
Assets:					
Investments	5.69	3	104	-	107

Credit Risk

Credit risk is the risk of financial loss and associated costs, resulting from the failure of a counterparty to meet its financial obligations as and when they fall due. SAFTL incurs credit risk through undertaking its core function of financial intermediation.

SAFTL's investments and loans are transacted with related entities or counterparties possessing strong or extremely strong safety characteristics regarding timely payment of principal and interest.

SAFTL calculates credit risk for both recognised and unrecognised classes of financial assets. The credit risk for recognised assets represents the carrying amount, including accrued interest, of the asset in the entity's financial statements. For unrecognised assets, the credit risk represents the current market value of replacing the asset in the event of default.

Total by Asset Class	Related Entities*	Financial Institutions	Total
	\$'000	\$'000	\$'000
Investments	104	-	104
Total	104	-	104

* Related entity is the Treasurer of South Australia

Net Fair Value

An analysis of the net fair value of financial instruments is detailed below.

SAFTL has calculated net fair value by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent SAFTL's best estimate of replacement cost. The directors consider the cost of realising the fair values as immaterial. The directors consider that all financial instruments cannot be readily traded on organised markets in a standardised form.

	2001		2000	
	Carrying Value \$'000	Net Fair Value \$'000	Carrying Value \$'000	Net Fair Value \$'000
Financial Liabilities:				
Borrowings	-	-	10 131	10 132
Other	33	33	100	100
Financial Assets:				
Investments	104	104	7 648	7 650
Other	3	3	3 735	3 734

14. Related Party Disclosures**Directors**

Mr K Cantley, General Manager, SAFA.

Mr A Thompson, Assistant General Manager, Financial Markets, SAFA.

Mr D Posaner, Assistant General Manager, Client Services, SAFA

Remuneration

Directors of SAFTL receive no remuneration from the company and there are no retirement benefits for directors or loans made to directors. The Directors are required to be directors of SAFTL in order to discharge their duties as executive officers of the Department of Treasury and Finance and therefore no remuneration details are required to be given.

Administrative Arrangements

SAFTL's accounting, administrative and company secretarial services are provided by SAFA. SAFA charges a fee for these services. SAFA's executives provided management services to SAFTL. In 2000-01, the following portions of their salaries were recharged to SAFTL.

	2001 \$'000	2000 \$'000
Mr K Cantley	1	4
Mr A Thompson and Mr D Posaner	1	2
Mr R Harper	-	2
	<u>2</u>	<u>8</u>

Mr R Harper resigned as a director on 13 March 2000

Financial Arrangements with Related Entities: SAFA, SABT Pty Ltd and the Treasurer of South Australia

	2001 \$'000	2000 \$'000
ASSETS:		
Investments with SAFA	-	7 648
Deposits with the Treasurer	104	-
Total Assets with Related Parties	104	7 648
LIABILITIES:		
Accrued interest SAFA	-	27
Borrowing from SAFA	-	10 131
Total Liabilities with Related Parties	-	10 158
REVENUE:		
Interest Received/Receivable:		
Investments with SAFA	211	1 094
Deposits with SABT	-	291
Loan to SABT	-	680
Deposits with the Treasurer	30	38
Total Revenue from Related Parties	241	2 103
EXPENSES:		
Interest Paid/Payable:		
Deposits from SAFA	-	291
Borrowings from SAFA	180	1 691
Interest rate swap with SAFA	-	1 254
Other:		
Guarantee fees paid to SAFA	-	48
Administration fees paid to SAFA	19	50
Total Expenses to Related Parties	199	3 334

SOUTH AUSTRALIAN GOVERNMENT CAPTIVE INSURANCE CORPORATION (SAICORP)

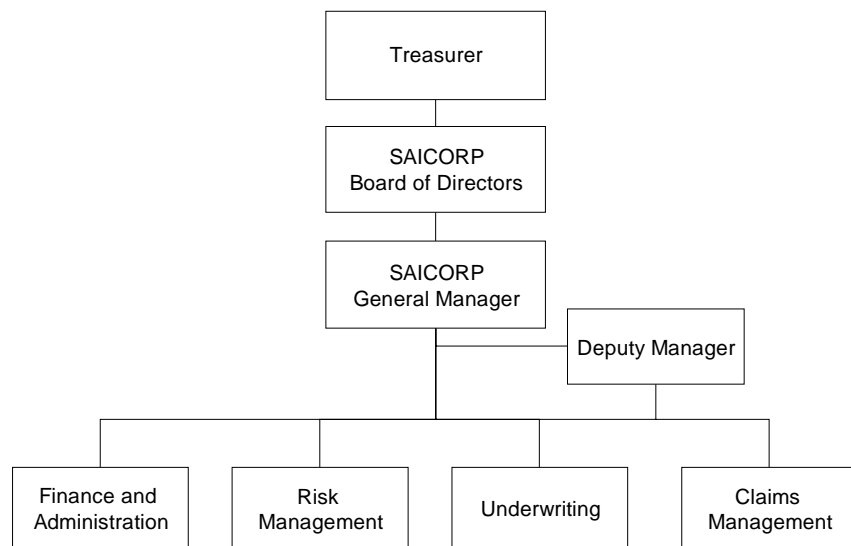
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Government Captive Insurance Corporation (SAICORP) is a subsidiary corporation of the Treasurer, established pursuant to Regulations under the *Public Corporations Act 1993*, and provides a formal structure for administration of the Government's insurance and risk management arrangements. SAICORP is governed by a Board, which currently consists of six members, who are appointed by the Treasurer, as responsible Minister.

All government departments and statutory authorities, unless exempted by the Treasurer, are insured with SAICORP, with an Agency Agreement setting out the cover provided and the level of excess (deductible) required to be met by the agency. A premium is charged to agencies based on risk factors and risk management practices in place.

SAICORP also provides risk management advice to the Government and to agencies.

The Corporation is subject to the control and direction of the Treasurer, as its Minister, and administratively forms a separate branch within the Department of Treasury and Finance.



As outlined above, SAICORP is structured into four primary sections namely:

- *Underwriting* — responsible for quantifying the total premium pool required by SAICORP and allocating the premium pool across the agencies insured by SAICORP. The section is also involved in marketing of the Government's risks to underwriters and monitoring of the performance of the broker contracted to provide reinsurance and insurance broking services to SAICORP.
- *Claims Management* — responsible for recording, management and monitoring of claims on behalf of SAICORP and agencies.
- *Risk Management* — responsible for promoting the development and implementation of best practice risk management techniques, practices and procedures in all insured agencies.
- *Finance and Administration* — responsible for management of SAICORP's financial activities and compilation and provision of financial information for SAICORP's Board and management.

Treasurer's Indemnity

Pursuant to section 19 of the *Public Finance and Audit Act 1987*, the Treasurer has indemnified SAICORP to the extent necessary to satisfy all its liabilities, which arise out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994.

The SA Government Insurance and Risk Management Fund

The SA Government Insurance and Risk Management (SAGIRM) Fund is a Special Deposit Account operated by SAICORP to record all activities associated with the operation of the Government's insurance and risk management arrangements.

The SAGIRM Fund has two sections.

Section 1 — records transactions associated with the operation of SAICORP since its inception. Costs such as: premiums for reinsurance; levies; insurable losses and claims arising since 1 July 1994; and administration expenses are met from the premium contributions from agencies and other income derived from activities, for example, investment earnings.

Section 2 — records the payment of losses and claims arising before 1 July 1994 and the cost of activities which fall outside the insurance covers provided under Section 1. This section is administered by SAICORP and is funded by appropriations from the Consolidated Account.

SIGNIFICANT FEATURES

Section 1

- Premium revenue increased by \$9.4 million compared to the previous year reflecting the return of premiums in 1999-2000 due to a revised underwriting arrangement with one agency.
- The underwriting result was a surplus of \$17.8 million (\$21.6 million surplus).
- The operating result before income tax equivalent expense was a surplus of \$21.9 million (\$30.4 million).
- A negative (credit) claims expenses of \$5.2 million (\$1.4 million credit) was incurred due mainly to a decrease in estimates of outstanding claims.
- Reinsurance and other recoveries revenue before doubtful debts was a debit of \$4.5 million (\$7 million credit) due to the revised estimates of outstanding claims.
- A provision for doubtful debts of \$4 million was recognised following the collapse of HIH Insurance Limited, which was the lead reinsurer of the medical malpractice component of the Government's reinsurance program.

Section 2

- A negative (credit) claims expenses of \$21.8 million (\$18.7 million credit) was incurred due mainly to a decrease in estimates of outstanding claims.
- Appropriation funding increased by \$3 million due to a series of significant claims expected to be settled.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 13(3) of the Schedule to the *Public Corporations Act 1993* specifically provides that the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of SAICORP.

Scope of Audit

The audit of SAICORP covered all major areas of financial operations, including assessment of the adequacy of internal controls operating in the critical financial systems. The scope of the audit included:

- revenue - raising, receipting and receivables
- expenditure - non claims related
- claims management and settlement
- liabilities including outstanding claims
- general ledger
- general computer controls
- management reporting
- investment strategy.

Certain accounting and financial services for SAICORP are performed by the Corporate Services Division of the Department of Treasury and Finance (DTF). Aspects of the audit review of SAICORP were therefore included within the scope of the audit of the Department.

Audit Communications to Management

During the year Audit communicated findings and issues to the General Manager.

Comments on issues referred to management are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial and Computing Controls

The review of the internal control structure of SAICORP concluded that internal controls were, in general, operating satisfactorily. However, Audit identified a number of minor issues relating to general ledger reconciliations and information technology controls. These issues were raised with the Corporation, and a satisfactory response was received in relation to the matters raised.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Government Captive Insurance 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 Government Captive Insurance 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 law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS - SECTION 1

Statement of Financial Performance

Premium Revenue

Premiums charged to agencies are SAICORP's major source of funds for the activities associated with the operation of the Government's insurance and risk management arrangements. For the year ended 30 June 2001, the premium revenue earned by SAICORP was \$30 million (\$21 million). The increase in 2001 was due mainly to a refund of premium in the previous year, as a result of changes to increase the Department of Human Services' deductible (from \$50 000 to \$1 million) for medical malpractice claims. As a consequence, premium revenue in the 1999-2000 year was unusually low.

Claims Expenses

The claims expenses balance reflects the movement of the outstanding claims liabilities and the cash payments made during the year.

For the year ended 30 June 2001 the claims expense reported was a \$5.2 million credit (\$1.4 million credit). The credit balance was due mainly to a significant decrease in the overall outstanding claims liability. Further details of the decrease are discussed later in this section of the Report under the heading 'Outstanding Claims'.

Catastrophe Reinsurance

The State Government is fundamentally a self-insurer. However, to protect the State's finances against a very large loss or claim or a series of large losses or claims, a catastrophe reinsurance program is placed in the international insurance market through SAICORP. The premium expense relating to the 2000-01 financial year was \$6.6 million.

The structure of SAICORP's catastrophe insurance arrangements can be depicted as follows:

	Industrial Special Risks	Aviation Liability	Public &Products Liability	Professional Indemnity and Directors and Officers Liability	Medical Malpractice	Forestry Growing Timber
Catastrophe Program Cover (Reinsurance)	\$600M	\$500M	\$350M	\$150M	\$150M	\$100M
Aggregate Annual Retention (SAICORP*)	\$15M	NIL	\$15M	\$15M	\$20M (indexed)	\$15M
Each & Every Event Retention (Agency and/or SAICORP)	\$1M	\$5,000	\$3M/\$1M	\$3M/\$1M	\$1M	\$1M

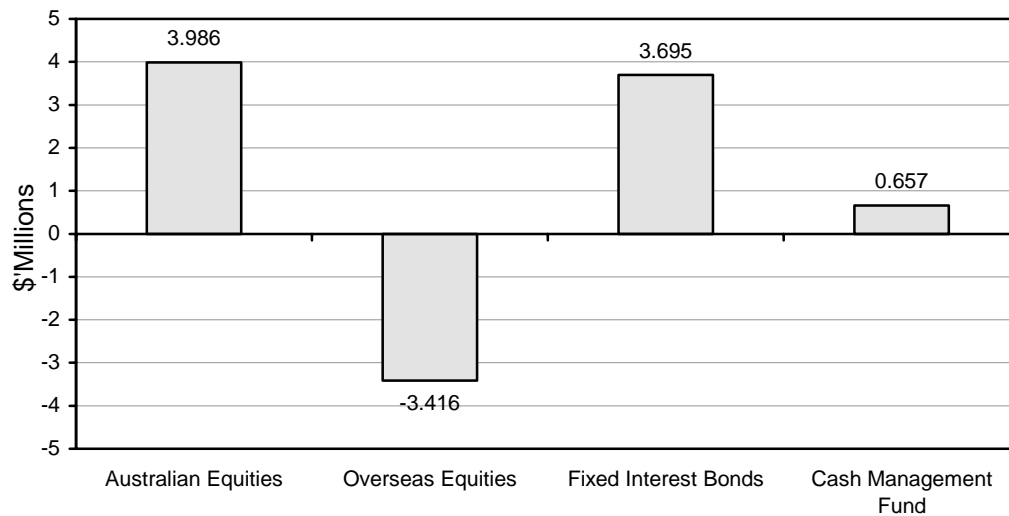
* Except Forestry Growing Timber, where the retention is held by Forestry SA

Doubtful Debts

HIH Insurance Limited (HIH) was the lead reinsurer of the medical malpractice component of the Government's reinsurance program. As a result of recent events, SAICORP have provided in full for all amounts estimated to be otherwise able to be recovered through the reinsurance arrangements with HIH (\$4.0 million). Notes 6 and 20 to the Financial Statements refer.

Investment Revenue

During the year investment revenue decreased by \$4.3 million (47 percent) despite a small increase in funds invested. Investment revenue for the year of \$4.9 million was made up as follows:



The negative return from overseas equities resulted from a decline in major overseas share indices offset by a depreciation of the Australian dollar of approximately 10 percent.

Statement of Financial Position

Outstanding Claims

The Corporation's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is a highly subjective number. As a result, independent actuaries are appointed to calculate the outstanding claims liability in accordance with Accounting Standards.

In addition, in 2001 a second actuarial firm was engaged to provide a peer review of the calculation for SAICORP's outstanding claims liability.

The outstanding claims liability is based on the case estimation of each individual open reported claim file, which is then adjusted for a number of factors (as explained in Note 1(d) to the Financial Statements), including:

- incurred but not reported claims (IBNR) and incurred but not enough reported claims (IBNER)
- the inflating (CPI and 'superimposed inflation') and discounting (for returns on funds invested) of expected future claim payments to their present value
- an estimate of the cost of administering the outstanding claims
- a prudential margin that provides additional assurance that the provision will be sufficient.

The actuaries have advised that they believe that case estimation remains the most suitable method for estimating SAICORP's liability for reported claims as the variability in SAICORP's claims would make it difficult to obtain useful information from statistical analysis. The variability is due largely to the small number of claims each year in each individual class of insurance and the very large variation in claim amounts and movements in case estimates, especially for medium and long term classes of business.

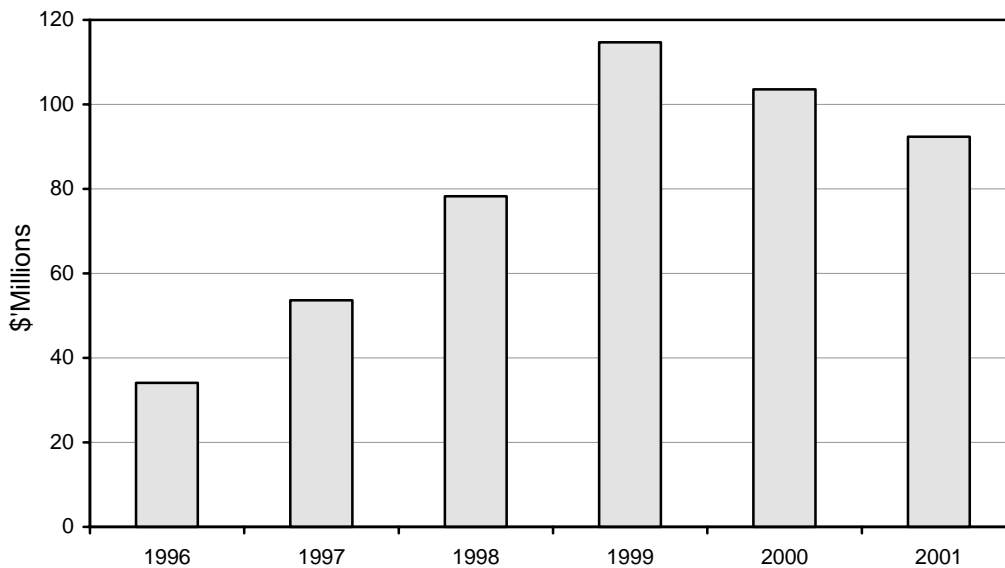
Further, many of the open claims are from the long-tailed liability classes of medical malpractice, professional indemnity and public and products liability. Accordingly estimation of the liability for each individual claim is a subjective task where liability is doubtful and the amount of loss uncertain.

With respect to Section 1 of the SAGIRM Fund, the outstanding claims liability of \$92.3 million as at 30 June 2001 was made up as follows:

	\$'000
Reported claims by case estimation	49 370
IBNR and IBNER claims	17 339
Adjustment for present value allowing for inflation and discounting	2 885
Provision for administration expenses	3 487
Prudential margin	19 253
	<hr/>
	92 334
	<hr/> <hr/>

Further details of the assumptions supporting the above adjustments are detailed in Note 1(d) to the financial statements.

The trend for the outstanding claims estimates for Section 1 of the Fund is as follows:



The increasing liability of the first four years represents the incurring of new claims following the establishment of the Fund, and reflects the fact that many of the claims do not get settled for a number of years. The decrease in 2000 was due mainly to a rearrangement of the underwriting arrangements for medical malpractice claims (Note 15 of the financial statement refers).

The decrease in 2001 of \$11.3 million was due to a number of factors, including:

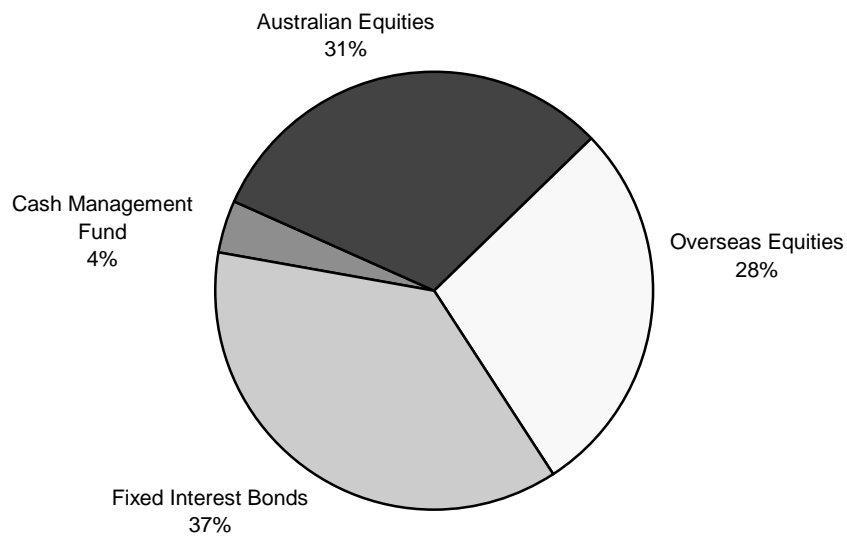
- A decrease in the case estimates for reported claims;
- IBNR claims experience being less than previously estimated.

As the claims expense balance in the Statement of Financial Performance reflects the cash disbursements for claims made during the year adjusted for the movement in outstanding claims, the decrease in the provision for outstanding claims resulted in a negative claims expense balance for the year.

Investments

In 1999-2000 an investment strategy was endorsed by SAICORP’s Board and approved by the Treasurer. The strategy provided for a diversified portfolio mix which balanced SAICORP’s risk-return tolerance and approximated the duration profile of the underlying claims liabilities. Since then funds have been placed with SAFA (for cash and fixed interest investments) and external indexed fund managers (for Australian and overseas equity strategies).

As at 30 June 2001 SAICORP had \$144.5 million invested as follows:



INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS - SECTION 2

Statement of Financial Position

Outstanding Claims

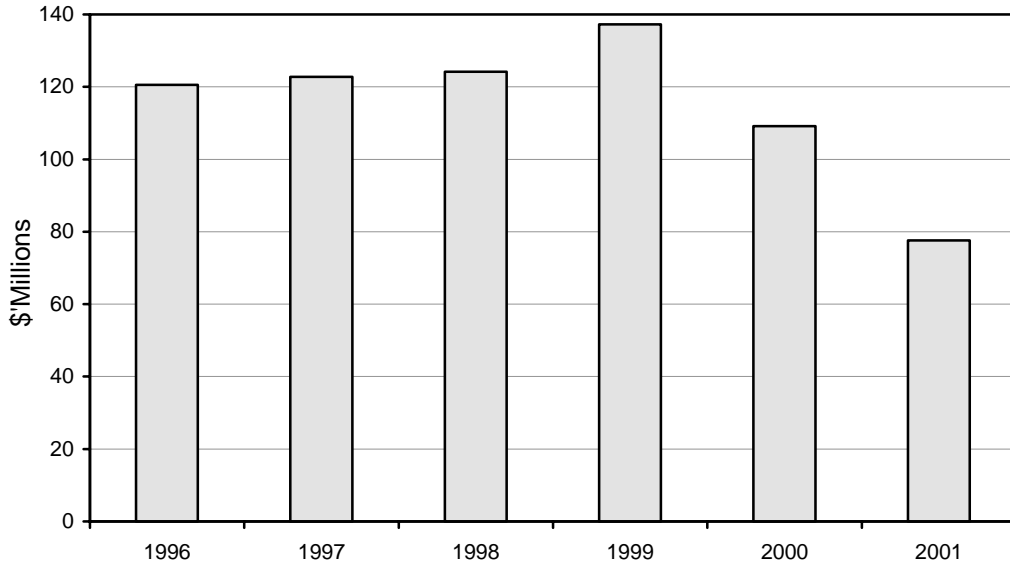
The calculation of the outstanding claims liability for Section 2 of the Fund was undertaken on similar basis as for Section 1 (refer to the previous discussion herein), except that no IBNR or IBNER factors were included.

With respect to Section 2 of the SAGIRM Fund, the outstanding claim liability of \$77.6 million is made up as follows:

	\$'000
Reported claims by case estimation	57 871
IBNR claims (including IBNER claims)	-
Adjustment for present value allowing for inflation and discounting	1 819
Provision for administration expenses	2 984
Prudential margin	14 936
	<u>77 610</u>

Further details of the assumptions supporting the above adjustments are detailed in Note 1(c) to the financial statements.

The trend for the outstanding claims estimate for the Section 2 Fund is as follows:



The decrease in 2000 was due mainly to a rearrangement of the underwriting arrangements for medical malpractice claims.

The further decrease in 2001 of \$31.6 million was due to a number of factors, including:

- Updated information on the claims as they proceed through the litigation and/or settlement phases. Notwithstanding this, the actuary recognises that outstanding claims estimates will continue to be volatile;
- The ongoing settlement of outstanding claims.

As the claims expense in the Statement of Financial Performance reflects the cash disbursements for claims made during the year adjusted for the movement in outstanding claims, the above decrease in the provision for outstanding claims resulted in a negative claims expense for the year.

**SOUTH AUSTRALIAN GOVERNMENT CAPTIVE INSURANCE CORPORATION
SECTION 1**

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
Premium revenue	15	30 296	20 912
Outwards reinsurance expense		(6 752)	(6 459)
Net Premium Revenue		23 544	14 453
Claims expense	2,15	5 228	1 382
Reinsurance and other recoveries		(4 532)	6 980
Doubtful debts	19	(4 001)	-
Net Claims Incurred	12	(3 305)	8 362
Brokerage and lead reinsurance revenue		1 254	1 195
Underwriting expenses	3	(3 664)	(2 398)
Underwriting Result	21	17 829	21 612
Investment revenue	3	4 922	9 251
Other revenue		-	10
General and administration expenses		(868)	(509)
OPERATING RESULT BEFORE INCOME TAX		21 883	30 364
Income tax expense	4	(7 440)	(7 979)
OPERATING RESULT AFTER INCOME TAX		14 443	22 385
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		14 443	22 385

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash		6 141	9 647
Receivables	5	6 259	39
Investments	13	54 267	50 611
Other	7	6 117	5 750
Total Current Assets		72 784	66 047
NON-CURRENT ASSETS:			
Reinsurance and other recoveries receivable	6	5 716	10 268
Provision for doubtful debts	19	(4 001)	-
Investments	13	84 085	74 588
Total Non-Current Assets		85 800	84 856
Total Assets		158 584	150 903
CURRENT LIABILITIES:			
Payables	8	83	81
Unearned premium		8 222	3 418
Outstanding claims	10	18 609	22 043
Provision for income tax	4	7 440	7 979
Other	9	518	288
Total Current Liabilities		34 872	33 809
NON-CURRENT LIABILITIES:			
Outstanding claims	10	73 725	81 550
Total Non-Current Liabilities		73 725	81 550
Total Liabilities		108 597	115 359
NET ASSETS		49 987	35 544
EQUITY:			
Retained surplus		35 544	13 159
Operating result for the period		14 443	22 385
TOTAL EQUITY		49 987	35 544
Contingent Liabilities	20		

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:			
Premiums received		30 421	32 641
Commercial insurance placements received		756	2 594
Claim recoveries received		20	32
Brokerage revenue received		1 182	1 057
Lead reinsurer fee received		162	152
Interest received		750	4 601
Distributions from equity funds		-	1 294
Deductibles collected		257	740
Other revenues		-	9
GST paid to the Taxation Authorities		(3 930)	-
GST received from the Taxation Authorities		1 433	-
GST received on receivables		3 437	-
GST paid on services used		(1 433)	-
Premium refund		-	(11 025)
Outwards reinsurance paid		(6 824)	(6 258)
Commercial insurance placements paid		(1 503)	(2 821)
Claims paid		(2 721)	(5 452)
Indirect claim settlements costs paid		-	-
Prepayments paid		(3 430)	(3 664)
Amounts paid in lieu of income tax		(7 978)	-
Other underwriting and general administration expenses paid		(5 105)	(3 303)
Net Cash provided by Operating Activities	22	5 494	10 597
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturing term deposits		-	72 757
Payments for purchase of equity fund investments		(9 000)	(73 294)
Payments for investment in indexed bond fund		-	(48 073)
Payments for purchase of term deposit		-	(72 757)
Net Cash used in Investing Activities		(9 000)	(121 367)
NET DECREASE IN CASH HELD		(3 506)	(110 770)
CASH AT 1 JULY		9 647	120 417
CASH AT 30 JUNE		6 141	9 647

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Statements of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Objectives, Funding and Basis of Accounting

The South Australian Government Captive Insurance Corporation ('SAICORP' or 'the Corporation') is established as a subsidiary of the Treasurer by the Public Corporations (Treasurer) Regulations 1994, which were gazetted and came into effect on 29 September 1994.

The Corporation has been proclaimed to be a semi-government authority for the purposes of the *Public Finance and Audit Act 1987* and the Treasurer has indemnified the Corporation 'to the extent necessary to satisfy all the liabilities which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994'.

SAICORP's objectives are to:

- efficiently and effectively administer the Government's insurance and risk management arrangements;
- insure the risks of the Crown;
- provide advice on the management of risks of the Crown.

This financial report encompasses all activities transacted through Section 1 of the interest bearing Special Deposit Account entitled 'South Australian Government Insurance and Risk Management Fund' (the SAGIRM Fund).

Section 1 of the SAGIRM Fund reflects the normal commercial insurance activities of SAICORP, established to carry on the business of insuring, reinsuring and/or co-insuring the risks of the Crown. The principal source of funds for Section 1 consists of monies received from agencies for insurance cover provided in relation to the current financial year.

The financial report is a general purpose financial report which, in accordance with section 13 of the Schedule to the *Public Corporations Act 1993*, has been prepared in accordance with applicable Accounting Standards, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements. Given the different funding and governance arrangements of Section 1 and Section 2, the principles of Australian Accounting Standard AAS 24 'Consolidated Financial Reports' cannot be applied. Therefore two separate financial reports are prepared to discharge SAICORP's legislative disclosure obligations.

The historical cost convention has been adopted and, unless otherwise stated, the amounts presented in the statement of financial position do not reflect realisable values of assets and liabilities or changes in the purchasing power of money.

(b) Premium Revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

All South Australian Government agencies are required to insure with SAICORP unless exempted by the Treasurer. In those circumstances where SAICORP considers it more appropriate for a government agency to insure directly with a commercial insurance organisation, SAICORP will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial statements, these arrangements are referred to as commercial insurance placements.

SAICORP does not accept any inwards reinsurance premiums.

(c) Outwards Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment.

An amount totalling \$6.566 million (\$6.279 million) was expensed for cover provided under the Government's catastrophe reinsurance program. This program has been devised to safeguard the State finances against a very large loss or claim, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(d) Claims

Claims expense and liabilities for outstanding claims are recognised in respect of incidents incurred. The liabilities include claims incurred but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. In addition, SAICORP has recognised a prudential margin of 10 percent of its outstanding claims liabilities for short tail business, 25 percent for medical malpractice and 20 percent for all other classes (2000: 20 percent for all classes).

The claims liabilities are measured as the present values of the expected future payments. An inflation rate (normal and superimposed) of 6.5 percent per annum (7 percent per annum) has been assumed. In the calculation of present value discount rates of 6 percent per annum for Medical Malpractice and 5.1 percent for all other classes (6.3 percent per annum) has been assumed.

Claims incurred but not paid and claims settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of incurred but not reported claims, SAICORP has employed the 'Net Written Premium' method modified to allow for claims incurred but not enough reported.

Indirect claims settlement costs are those claims settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent (5 percent) of the outstanding claims liabilities.

The above methodologies were originally adopted by SAICORP because there was insufficient historical data to perform a portfolio analysis to derive a statistical methodology for the calculation of claims liabilities. Brett & Watson Pty Ltd - Consulting Actuaries were engaged to consider the continued appropriateness of the above methodologies and to recommend appropriate discount and inflation rates and prudential margins to be used for the 2000-01 financial year. A peer review by Trowbridge Consulting was commissioned to review the overall approach and the reasonableness of the results obtained. The results of their findings were that Brett & Watson provided reasonable and appropriate information for use in the preparation of the financial statements and accompanying notes.

(e) Acquisition Costs

The acquisition costs related to underwriting expenses have been brought to account during the financial year as they do not represent a future benefit. Most covers provided by SAICORP are on a financial year basis.

(f) Stamp Duties

Amounts collected in lieu of stamp duties are included in premiums and on-paid to the Consolidated Account. A liability for these payments is recognised on business written to the reporting date.

(g) Investments

Investment Strategy

SAICORP has an investment strategy that was implemented for the first time in 1999-2000 and comprises a mix of cash, Australian fixed interest, Australian equities and overseas equities. The cash and fixed interest investments are managed by SAFA, while external fund managers are used to manage the Australian and overseas equity investments.

Valuation of Investments

SAICORP's investments are essential to its insurance activities. In accordance with Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' investments are reported at market value, net of material expected costs of disposal.

Investment Revenues

Investment revenue is brought to account on an accrual basis and includes unrealised gains (losses) arising from movements in market values of the underlying investments.

(h) Income Tax and Other Taxes

Pursuant to section 12 of the Schedule to the *Public Corporations Act 1993*, the Corporation is liable to pay to the Treasurer, for the credit of the Consolidated Account, such amounts as the Treasurer from time to time determines to be equivalent to income tax and any other taxes or imposts that the Corporation does not pay to the Commonwealth but would be liable to pay under the law of the Commonwealth if it were constituted and organised in such a manner as a public company or group of public companies carrying on the business carried on by the subsidiary.

Effective 1 July 1995, pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the normal commercial activities of SAICORP, which requires the Corporation to apply the Accounting Profits method for the calculation of income tax equivalent. Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(i) Cash

All day to day operating activities are transacted through an interest bearing Special Deposit Account (the SAGIRM Fund). These funds are invested with the South Australian Government Financing Authority (SAFA), and currently earn an interest rate determined by reference to the SAFA overnight borrowing rate (less a 0.5 percent banking fee).

For the purposes of the Statement of Cash Flows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. This includes both the SAGIRM Fund and the cash management component of the investment strategy, which is invested in the SAFA Cash Management Fund.

(j) Relationship with the Department of Treasury and Finance

The SAICORP Board has entered into an arrangement with the Department of Treasury and Finance to cover the use of staff, assets and accommodation to provide the services required by the Board.

The Board reimburses Treasury for any payments made by Treasury on behalf of the Board relating to the provision of the services to the Board, including payments for the salaries and on costs of all employees of the SAICORP Branch of the Department. These are apportioned between Section 1 and Section 2. The amount expended in 2001 for Section 1 was \$998 000 (\$1.409 million).

(k) Motor Vehicle Insurance

On 10 May 1996, the Commonwealth Bank of Australia (CBA) through South Australia Fleet Lease Arranger Pty Ltd, acquired ownership of the South Australian Government's light motor vehicle fleet. Pursuant to a Master Lease Agreement, the fleet was leased back to the South Australian Government and is managed by the Department for Administrative and Information Services, Fleet SA.

As part of this arrangement, the vehicles are insured with the Corporation, and for this cover, the CBA paid to the Corporation an annual premium of \$3.773 million, including \$343 000 GST, (\$3.663 million), of which \$2.947 million was unearned as at 30 June 2001. To meet the costs of the fleet insurance risks, the Corporation paid to Fleet SA the premium received from the CBA. Pursuant to this arrangement, for the period ended 30 June 2001, Fleet SA has expended \$3.400 million (\$2.939 million). For the purposes of this financial statement, \$3.400 million (\$2.939 million) has been recognised as an expense and \$4.198 million (\$4.167 million) has been recognised as a prepayment.

(l) Comparatives

As a result of applying Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position' the format of both Statements 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.

(m) Accounting for Income Tax and 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 excepted that receivables and payables are stated with the amount of GST included.

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

2. Claims Expense		2001	2000
Direct:		\$'000	\$'000
Liability		5 793	4 455
Property		(3 530)	(4 076)
Other		2 965	1 003
		5 228	1 382
3. Other Underwriting Expenses			
Management expenses		430	425
Acquisition costs		247	216
Amounts in lieu of fire service levies		-	9
Amounts in lieu of stamp duties		2 866	1 686
Net direct insurance placement		121	62
		3 664	2 398

4. Income Tax	2001	2000
Effective 1 July 1995 a tax equivalent regime applies to the normal commercial operations of SAICORP (refer Note 1 (h))	\$'000	\$'000
(a) Income Tax Expense		
Income tax expense (benefit) at 34 percent on the operating result	7 440	10 931
Recognition of prior year's tax losses not recognised as FITB	-	(2 952)
Total Income Tax Expense Attributable to the Operating Result	7 440	7 979
Income tax expense attributable to the operating result is made up of:		
Future income tax benefit	-	2 952
(b) Provision for Current Income Tax		
Movements during the year were as follows:		
Balance at 1 July	7 979	-
Payment	(7 979)	-
Current year's income tax expense on operating result	7 440	10 931
Recognition of FITB previously not recognised	-	(2 952)
	7 440	7 979
5. Receivables		
Current:		
Premium debtors	6 253	19
Investment debtors	6	20
	6 259	39
6. Reinsurance and Other Recoveries Receivable		
Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims and are recognised as assets.		
	2001	2000
	\$'000	\$'000
Expected future recoveries (undiscounted)	5 628	9 800
Net discount to present value	88	468
Reinsurance and other recoveries receivable (before provision for doubtful debts)	5 716	10 268
Non-Current:		
Reinsurance and other recoveries receivable	5 716	10 268
Less: Provision for doubtful debts	4 001	-
	1 715	10 268
7. Other Assets		
Prepayments:		
Fleet insurance expense (refer Note 1 (k))	4 197	4 167
Catastrophe reinsurance expense	1 680	1 583
Prepaid consultancy	240	-
Total Current Other Assets	6 117	5 750
8. Payables		
Current:		
Other creditors and accruals	83	81
9. Other Liabilities		
Current:		
Risk management fee	251	-
Unearned brokerage revenue	267	288
	518	288
10. Outstanding Claims		
(a) Expected future claims payments (undiscounted)	89 449	99 350
Net discount to present value	2 885	4 243
Liability for Outstanding Claims	92 334	103 593
Current:		
Liability	16 112	20 569
Property	2 488	1 462
Other	9	12
	18 609	22 043
Non-Current:		
Liability	71 925	78 632
Property	1 629	2 692
Other	171	226
	73 725	81 550

(b)	The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	2001	2000
		Percent	Percent
	For the succeeding year:		
	Inflation rate (which includes superimposed inflation)	6.5	7.0
	Discount rate - Medical malpractice	6.0	6.3
	Discount rate - Other classes	5.1	6.3
	For subsequent years:		
	Inflation rate (which includes superimposed inflation)	6.5	7.0
	Discount rate - Medical malpractice	6.0	6.3
	Discount rate - Other classes	5.1	6.3
(c)	The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be:	Years	Years
	Medical malpractice	8.0	8.0
	Liability	3.0	8.0
	Property	1.0	0.5

11. Financing Arrangements

The Treasurer of South Australia has agreed to indemnify the Corporation to the extent necessary to satisfy all its liabilities, which arise out of its functions in accordance with the Regulations under the *Public Corporations Act 1993*.

12. Net Claims Incurred

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

	2001			2000		
	In respect of Current Year	In respect of Prior Years	Total	In respect of Current Year	In respect of Prior Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred and related expenses - Undiscounted	23 944	(41 853)	(17 909)	51 829	6 451	58 280
Reinsurance and other recoveries- Undiscounted	-	11 048	11 048	(7)	(7 080)	(7 087)
Net Claims Incurred - Undiscounted	23 944	(30 805)	(6 861)	51 822	(629)	51 193
Discount and discount movement - Gross claims incurred	(7 252)	19 869	12 617	(27 160)	4 240	(22 920)
Discount and discount movement - Reinsurance and other recoveries	-	(2 451)	(2 451)	1	1 535	1 536
Net Discount Movement	(7 252)	17 418	10 166	(27 159)	5 775	(21 384)
Net Claims Incurred	16 692	(13 387)	3 305	24 663	5 146	29 809

Comparative figures do not include an adjustment for an abnormal item disclosed separately in the Statement of Financial Performance for the year ended 30 June 2000.

13. Additional Financial Instrument Disclosures

(a) Interest Rate Risk

The Corporation's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and financial liabilities at balance date are set out below:

	Weighted Average Interest Rate	Floating Interest Rate	Contracted to mature or reprice within one year	Non-Interest Bearing	2001
					Total
	Percent	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash	5.89	6 141	-	-	6 141
Composite indexed bonds		-	54 267	-	54 267
Australian equities		-	-	44 141	44 141
Overseas equities		-	-	39 943	39 943
Receivables		6	-	6 253	6 259
Total Financial Assets		6 147	54 267	90 337	150 751
Financial Liabilities:					
Payables		-	-	83	83
Total Financial Liabilities		-	-	83	83
Net Financial Assets		6 147	54 267	90 254	150 668

	Weighted Average Interest Rate	Floating Interest Rate	Contracted to mature or reprice within one year	Non-Interest Bearing	2000
					Total
	Percent	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash	6.13	9 647	-	-	9 647
Composited indexed bonds		-	50 611	-	50 611
Australian equities		-	-	38 210	38 210
Overseas equities		-	-	36 378	36 378
Receivables		20	-	19	39
Total Financial Assets		9 667	50 611	74 607	134 885
Financial Liabilities:					
Payables		-	-	81	81
Total Financial Liabilities		-	-	81	81
Net Financial Assets		9 667	50 611	74 526	134 804

(b)	Investment Revenue	2001	2000
		\$'000	\$'000
	Interest	657	4 156
	Unrealised gains (losses) on investments	815	3 801
	Distributions - equity investments	3 450	1 294
		4 922	9 251

(c) Credit Risk Exposures

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

On-Balance-Sheet Financial Instruments

The credit risk on financial assets, excluding investments, of the Corporation, which has been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The cash and Australian fixed interest investments are with SAFA, which are guaranteed by the Treasurer of South Australia. The Australian equities investment is in the Macquarie Australian Enhanced Equities Fund mirrors the ASX300, while the overseas equities investment is in Barclays Global Investors World ex-Australia Equity Fund mirrors the MSCI ex-Australia Equity Index.

The Corporation is the captive insurer for government agencies of the State of South Australia. Consequently, operational credit risk is minimised as the Corporation principally transacts with government agencies that are guaranteed by the Government of South Australia.

Off-Balance-Sheet Financial Instruments

There were no off-Balance-Sheet financial instruments in existence at the reporting period.

(d) Net Fair Values of Financial Assets and Liabilities*Valuation Approach*

Net fair values of financial assets and liabilities are determined by the Corporation on the following bases:

On-Balance-Sheet Financial Instruments

Investments in fixed interest and equity funds are measured at market values using market prices at balance date, as advised by the fund manager. The carrying amounts of short-term money market deposits, accounts receivable and accounts payable approximate their fair values.

Off-Balance-Sheet Financial Instruments

There were no off-Balance-Sheet financial instruments in existence at the reporting date.

(e) Currency Risk

The Overseas equities Funds Manager, Barclays Global Investors invests in equities which mirror the MSCI World ex-Australia index, with the equities held in the currency of the equities country of origin. The following table summarises SAICORP's risk associated with these equities:

	2001	2000
	\$'000	\$'000
Austria	36	36
Belgium	176	135
Canada	883	949
Denmark	172	135
Finland	328	546
France	2 005	1 994
Germany	1 578	1 481
Greece	56	-
Hong Kong	375	367
Ireland	132	62
Italy	807	771
Japan	4 398	5 093
Netherlands	1 023	949
New Zealand	20	25
Norway	88	69
Portugal	84	80
Singapore	164	171
Spain	547	462
Sweden	395	571
Switzerland	1 218	1 015
UK	3 938	3 434
US	21 521	18 032
	39 943	36 378

14. Auditor's Remuneration

Auditor-General's Department

28 **30**

15. Revised Insurance Arrangements

Revised insurance arrangements were agreed with an Insured Agency, which increased the deductible (excess) payable by the Agency on claims from \$50 000 to \$1 million. The arrangements were applied retrospectively to 1 July 1994. SAICORP returned some funds to the Agency but retained sufficient funds to meet its own expected future liabilities arising from such incidents. The net effect was a reduction in SAICORP's outstanding claims liabilities.

Income tax effect

- 27 146

- (9 773)

- 17 373

16. External Consultants used during the Financial Year	2001	2000
	\$'000	\$'000
Total amounts due and payable to external consultants during the financial year	361	303
The number and value of consultancies:	2001	2000
	Number of	Number of
	Consultants	Consultants
\$0 - \$9 999	3	3
\$10 000 - \$19 999	-	1
\$20 000 - \$29 999	1	-
\$80 000 - \$89 999	1	-
\$100 000 - \$109 999	1	-
\$150 000 - \$159 999	1	-
\$270 000 - \$279 999	-	1

17. Directors' Remuneration	2001	2000
Directors' Income	Number of	Number of
Number of directors of the Corporation whose income from the Corporation falls within the following bands:	Directors	Directors
\$0 - \$9 999	7	7
Total income paid or payable, or otherwise made available, to all directors of the Corporation from the Corporation	2001	2000
	\$'000	\$'000
	24	18

Directors of the Corporation receive income in the form of statutory fees. The Chairman and one other Director who are employed by the State Government of South Australia, do not receive income from the Corporation.

Superannuation and Retirement Benefits

Directors of the Corporation are not paid superannuation or retirement benefits for their activities associated with the Corporation, other than the amount set aside by the Corporation in compliance with the Superannuation Guarantee Charge.

18. Related Parties

Directors

The names of each person holding the position of director of the Corporation during the financial year are:

Mr J T Hill (Chairman)	Ms C J Marjoribanks	Ms Anne Howe (resigned 26 March 2001)
Ms R J Batt	Mr L R Foster	
Mr J L Potter	Mr L C Holmes	

There have been no loans advanced to directors of the Corporation during the financial year. The total of loans outstanding to directors of the Corporation at year end was nil.

Directors' Transactions with the Corporation

There were no transactions during the year with directors or director-related entities.

19. Provision for Doubtful Debts

The lead reinsurer for medical malpractice claims has been HIH Insurance Ltd. It has been deemed prudent to provide a doubtful debt for the HIH Insurance Ltd expected recoveries in relation to this reinsurance.

20. Contingent Liabilities

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

SAICORP had 'stop loss' agreements with two agencies whereby the agency would meet a pre-determined annual level of expenditure for claims and SAICORP would meet all other costs of claims in excess of that limit arising from events covered by the agency's agreement with SAICORP. As of 1 July 2001 only one agency now has ongoing 'stop loss' arrangements with SAICORP.

21. Segment Information

The Corporation's predominant operation is that of underwriting in the following types of general insurance to South Australian Government agencies:

Aviation liability	Industrial special risks
Aviation property	Public and products liability
Consequential loss	Medical malpractice
Fidelity guarantee	Professional indemnity and Directors and officers liability
General property	
Machinery breakdown	
Marine property	
Marine liability	
Motor vehicle property	
Motor vehicle liability	
Personal accident	
Volunteers	
Standing timber	

The majority of risks which the Corporation insures will arise within the one geographic segment, namely, the State of South Australia.

Analysis of the underwriting result by the major lines of insurance business are:

	Industrial Special Risks and Business Interruption		Public and Products Liability		Medical Malpractice		Professional Indemnity and Directors and Officers Liability		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
Premium revenue	5 837	6 346	4 108	4 428	11 956	12 174	1 420	1 518	6 975	7 471	30 296	31 937
Outwards reinsurance expense	(1 800)	(1 799)	(979)	(929)	(2 535)	(2 362)	-	-	(1 438)	(1 369)	(6 752)	(6 459)
Net Premium Revenue	4 037	4 547	3 129	3 499	9 421	9 812	1 420	1 518	5 537	6 102	23 544	25 478
Claims expense	(385)	(196)	(902)	(187)	3 276	(33 871)	3 030	377	209	(2 912)	5 228	(36 789)
Reinsurance and other recoveries	(7)	23	6	2	(4 544)	6 955	-	-	13	-	(4 532)	6 980
Provision for doubtful debts	-	-	-	-	(4 001)	-	-	-	-	-	(4 001)	-
Net Claims Incurred	(392)	(173)	(896)	(185)	(5 269)	(26 916)	3 030	377	222	(2 912)	(3 305)	(29 809)
Brokerage and lead reinsurance revenue	334	395	198	169	393	333	-	21	329	277	1 254	1 195
Underwriting expenses	(627)	(628)	(443)	(438)	(1 291)	(61)	(153)	(150)	(1 150)	(1 121)	(3 664)	(2 398)
Underwriting Result	3 352	4 141	1 988	3 045	3 254	(16 832)	4 297	1 766	4 938	2 346	17 829	(5 534)
Outstanding claims	1 994	1 696	9 101	8 880	72 927	79 310	5 852	10 390	2 460	3 317	92 334	103 593

Comparative figures do not include an adjustment for an abnormal item disclosed separately in the Statement of Financial Performance for the year ended 30 June 2000.

22. Notes to the Statement of Cash Flows	2001	2000
Reconciliation of Cash:	\$'000	\$'000
Cash balances held in deposit account	1 047	530
Cash Management Fund held with SAFA	5 094	9 117
	6 141	9 647
Reconciliation of operating result after income tax to net cash provided by operating activities:		
Operating result after income tax	14 443	22 385
Non-cash items:		
Change in the market value of investments	(4 153)	(3 832)
Increase (Decrease) in income tax payable	(539)	7 979
Net Cash provided by Operating Activities before		
Changes in Assets and Liabilities	9 751	26 532
Change in assets and liabilities:		
Decrease (Increase) in receivables	(6 220)	1 555
Decrease (Increase) in other assets	(367)	(723)
Decrease (Increase) in reinsurance recoveries	4 552	(5 551)
Increase (Decrease) in provision for doubtful debts	4 001	-
Increase (Decrease) in payables	2	(261)
Increase (Decrease) in outstanding claims	(11 259)	(11 110)
Increase (Decrease) in unearned premium	4 804	119
Increase (Decrease) in other liabilities	230	36
Net Cash provided by Operating Activities	5 494	10 597

**SOUTH AUSTRALIAN GOVERNMENT INSURANCE AND RISK MANAGEMENT FUND
SECTION 2**

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
OPERATING EXPENSES:			
Administration		(191)	(161)
Claims expense	2,3	21 810	18 723
Total Expenses		21 619	18 562
OPERATING REVENUES:			
Interest		386	260
Claims recoveries		1 619	114
Total Operating Revenues		2 005	374
Net Cost of Services		23 624	18 936
REVENUES FROM GOVERNMENT:			
Recurrent appropriation		7 000	7 000
Additional appropriation		3 000	-
Total Revenues from Government		10 000	7 000
CHANGE IN NET ASSETS (LIABILITIES) FROM OPERATIONS		33 624	25 936
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITHIN THE STATE GOVERNMENT AS OWNER		33 624	25 936

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash		3 403	1 330
Receivables	4	14	35
Total Assets	7	3 417	1 365
CURRENT LIABILITIES:			
Payables	5	33	32
Outstanding claims	6	18 278	45 512
Total Current Liabilities		18 311	45 544
NON-CURRENT LIABILITIES:			
Outstanding claims	6	59 332	63 671
Total Non-Current Liabilities		59 332	63 671
Total Liabilities		77 643	109 215
NET ASSETS (DEFICIENCY)		(74 226)	(107 850)
EQUITY:			
Retained surplus (deficit)		(107 850)	(133 786)
Operating result for the period		33 624	25 936
TOTAL EQUITY		(74 226)	(107 850)
Contingent Liabilities	8		

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:			
Claim recoveries received		1 632	234
Interest and other investment income received		382	265
Deductibles collected		12	346
GST paid to the taxation authority		(1)	-
GST received from the taxation authority		150	-
GST received on receivables		1	-
GST paid on services used		(150)	-
Claims paid		(9 534)	(9 642)
Indirect claim settlements costs paid		(229)	(230)
Administration costs paid		(190)	(165)
Cash flows from government:			
Recurrent appropriation		7 000	7 000
Additional appropriation		3 000	-
Net cash provided by (used in) Operating Activities		2 073	(2 192)
NET INCREASE (DECREASE) IN CASH HELD	9	2 073	(2 192)
CASH AT 1 JULY 2000		1 330	3 522
CASH AT 30 JUNE 2001		3 403	1 330

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. **Statements of Significant Accounting Policies**

The significant policies which have been adopted in the preparation of this financial report are:

(a) **Objectives, Funding and Basis of Accounting**

The South Australian Government Captive Insurance Corporation ('SAICORP' or 'the Corporation') is established as a subsidiary of the Treasurer by the Public Corporations (Treasurer) Regulations 1994, which were gazetted and came into effect on 29 September 1994.

The Corporation has been proclaimed to be a semi-government authority for the purposes of the *Public Finance and Audit Act 1987* and the Treasurer has indemnified the Corporation 'to the extent necessary to satisfy all the liabilities which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994'.

SAICORP's objectives are to:

- efficiently and effectively administer the Government's insurance and risk management arrangements;
- insure the risks of the Crown;
- provide advice on the management of risks of the Crown.

SAICORP is responsible for the administration of Section 2 of the South Australian Government Insurance and Risk Management Fund (SAGIRM), from which are met claim payments in respect of incidents which occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments which fall outside the insurance cover provided under Section 1.

This financial report encompasses all activities transacted through Section 2 of the SAGIRM Fund. The purpose of the SAGIRM Fund is to record receipts and payments associated with the operations of the Government's insurance and risk management program.

Section 2 of the SAGIRM Fund is funded by draw downs from the Consolidated Account of the South Australian Government. Given the different funding and governance arrangements of Section 1 and Section 2, the principles of Australian Accounting Standard AAS 24 'Consolidated Financial Reports' can not be applied. Therefore two separate financial reports are prepared to discharge SAICORP's legislative disclosure obligations.

The financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements (Urgent Issues Group Consensus Views).

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 current valuations of non-current assets.

(b) **Appropriations**

Recurrent and additional appropriations are recognised as revenues in the period in which SAICORP gains control of the appropriated funds. They are credited to the SAGIRM Fund from the Treasurer's other payments line entitled 'Fire Damage & Insurance Costs'.

(c) **Claims**

Claims expense and liabilities for outstanding claims are recognised in respect of incidents arising. The liabilities include claims incurred but not paid and the anticipated costs of settling those claims. In addition, SAICORP has recognised a prudential margin of 25 percent of its outstanding claims liabilities.

The claims liabilities are measured as the present values of the expected future payments. In the calculation of present values, a discount rate of 6 percent per annum for Medical Malpractice and 5.1 percent for all other classes (6.3 percent per annum) and an inflation rate (normal and superimposed) of 6.5 percent per annum (7 percent per annum) have been assumed.

Claims incurred but not paid and claims settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

Indirect claims settlement costs are those claims settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent of the outstanding claims liabilities for non-current outstanding claims (5 percent).

Brett & Watson Pty Ltd - Consulting Actuaries were engaged to consider the continued appropriateness of the above methodologies and to recommend appropriate discount and inflation rates and prudential margins to be used. A peer review was conducted this financial year by Trowbridge Consulting to review the consulting actuaries overall approach and the reasonableness of the results obtained. The results of their findings were that Brett & Watson provided reasonable and appropriate information for use in the preparation of the financial statements and accompanying notes.

(d) **Investments**

All activities are transacted through an interest bearing Special Deposit Account (the SAGIRM Fund). Funds in the SAGIRM Fund are invested with the South Australian Government Financing Authority (SAFA), and currently earn an interest rate determined by reference to the SAFA overnight borrowing rate (less a 0.5 percent banking fee). Accordingly, funds in the Special Deposit Account are classified as cash held and are apportioned between the Corporation and Section 2. Section 2 of the SAGIRM Fund held no other investments as at 30 June 2001.

(e) Accounting for Income Tax and the Goods and Services Tax (GST)

Considering the non-commercial nature of Section 2 of the SAGIRM Fund, approval has been given by the Department of Treasury and Finance for it to be exempt from the South Australian Government's tax equivalent regime.

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 excepted that receivables and payables are stated with the amount of GST included.

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

(f) Comparatives

As a result of applying Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position' the format of both Statements 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.

(g) Relationship with the Department of Treasury and Finance

The SAICORP Board has entered into an arrangement with the Department of Treasury and Finance to cover the use of staff, assets and accommodation to provide the services required by the Board.

The Board reimburses Treasury for any payments made by Treasury on behalf of the Board relating to the provision of the services to the Board, including payments for the salaries and on costs of all employees of the SAICORP Branch of the Department. These are apportioned between Section 1 and Section 2. The amount expended in 2001 for Section 2 was \$0.393 million (\$0.355 million).

2. Claims Expense		2001	2000
Direct:		\$'000	\$'000
Liability		(21 745)	(18 598)
Property		(65)	(125)
		(21 810)	(18 723)
3. Revision of Outstanding Claims Estimate			
Items charged:			
Abnormal downwards revision of significant outstanding claim liability estimates		-	25 464
4. Receivables			
Current:			
Investment debtors		14	10
Other debtors		-	25
		14	35
5. Payables			
Current:			
Trade creditors		33	32
6. Outstanding Claims			
(a)		75 232	105 488
Expected future claims payable (undiscounted and uninflated)		2 378	3 695
Present value adjustment (discounted and inflated)		77 610	109 183
Liability for Outstanding Claims			
Current:			
Liability		18 239	45 290
Property		39	222
		18 278	45 512
Non-Current:			
Liability		59 332	63 605
Property		-	66
		59 332	63 671
(b)		2001	2000
The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:		Percent	Percent
For the succeeding year:			
Inflation rate (which includes superimposed inflation)		6.5	7.0
Discount rate - Medical malpractice		6.0	6.3
Discount rate - Other classes		5.1	6.3
For subsequent years:			
Inflation rate (which includes superimposed inflation)		6.5	7.0
Discount rate - Medical malpractice		6.0	6.3
Discount rate - Other classes		5.1	6.3
(c)		2001	2000
The weighted average expected term to settlement of the outstanding claims from the balance date are estimated to be:		Years	Years
Medical malpractice		8.0	8.0
Liability		3.0	8.0
Property		1.0	0.5

7. **Additional Financial Instrument Disclosures**

(a) **Interest Rate Risk**

Section 2 of the SAGIRM Fund's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and financial liabilities at balance date is set out below:

Financial Assets:	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2001 Non-Interest Bearing \$'000	Total \$'000
Cash	5.84	3 403	-	3 403
Receivables		14	-	14
Total Financial Assets		3 417	-	3 417
Financial Liabilities:				
Payables		-	33	33
Total Financial Liabilities		-	33	33
Net Financial Assets (Liabilities)		3 417	33	3 450

Financial Assets:	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2000 Non-Interest Bearing \$'000	Total \$'000
Cash	5.9	1 330	-	1 330
Receivables		10	25	35
Total Financial Assets		1 340	25	1 365
Financial Liabilities:				
Payables		-	32	32
Total Financial Liabilities		-	32	32
Net Financial Assets (Liabilities)		1 340	(7)	1 333

On-Balance-Sheet Financial Instruments

The credit risk on financial assets of Section 2 of the SAGIRM Fund, which has been recognised on the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts.

The majority of the financial assets for Section 2 of the SAGIRM Fund relate to deposits with the Treasurer of South Australia, for which there is negligible credit risk.

There were no off-balance-sheet financial instruments in existence at the reporting date.

(b) **Net Fair Values of Financial Assets and Liabilities**

Valuation Approach

Net fair values of financial assets and liabilities are determined by SAICORP on the following bases:

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 the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

Off-Balance-Sheet Financial Instruments

There were no off-balance-sheet financial instruments in existence at the reporting date.

Net Fair Values

On-Balance-Sheet Financial Instruments

The carrying amounts as disclosed in the balance sheet and accompanying notes to the financial statements approximate net fair values.

8. **Contingent Liabilities**

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Many claims may require legal input to negotiate a suitable settlement. The results of such negotiations may result in liabilities to Section 2 of the SAGIRM Fund different to that incorporated in these financial statements.

9. **Notes to the Statement of Cash Flows**

Reconciliation of cash:

	2001 \$'000	2000 \$'000
Cash balances held in deposit account	3 403	1 330

Reconciliation of net costs of services to net cash used in operating activities:

Net cost of services	23 624	18 936
Other revenues from government	10 000	7 000
Net Cash provided by Operating Activities before Changes in Assets and Liabilities	33 624	25 936

Change in assets and liabilities:

(Increase) Decrease in receivables	21	162
Increase (Decrease) in payables	1	(228)
Increase (Decrease) in outstanding claims	(31 573)	(28 062)
Net Cash provided by (used in) Operating Activities	2 073	(2 192)

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Government Financing Authority (SAFA), a body corporate, was established in 1983 by proclamation of the *Government Financing Authority Act 1982* (the Act).

Since its inception SAFA has acted as the central financing authority for the Government and almost all semi-government authorities in South Australia. SAFA's role within the South Australian public sector is fund raising, debt management, cash management, investment services and advisory services relating to financial risk management. SAFA is responsible for managing the majority of the State's debt and for the implementation of the Government's Debt Management Policy as determined by the Treasurer of South Australia.

SAFA's functions and powers are set out in the Act, subsections 11(1) and (2).

Broadly, SAFA's functions are to develop and implement borrowing and investment programs for the benefit of semi-government authorities and to engage in other financial activities as are determined by the Treasurer to be in the interests of the State (subsection 11(1)). With the Treasurer's approval, SAFA is able to exercise wide powers in the pursuit of these functions (subsection 11(2)).

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

Advisory Board

The Act (as amended in 1995) provides that SAFA is constituted of the Under Treasurer (effectively assuming the role of the previous SAFA Board) and establishes the South Australian Government Financing Advisory Board.

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

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

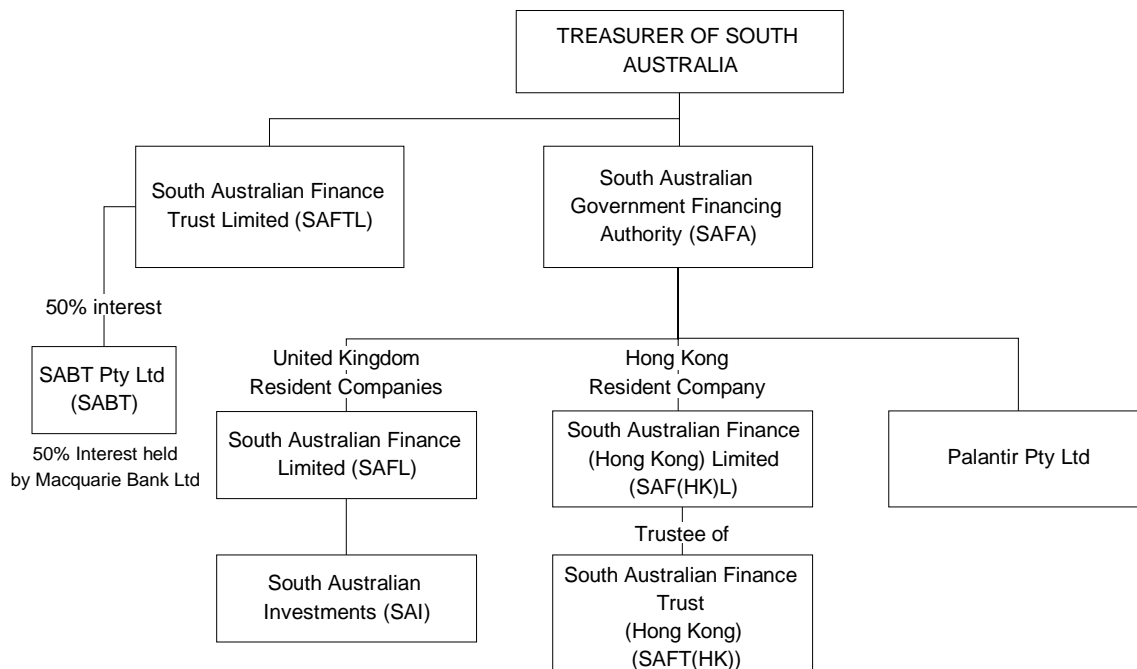
The Act provides that the Under Treasurer may request advice from the Advisory Board and consider any advice given. The Advisory Board may proffer advice, as it sees fit to the Treasurer or the Authority. The Annual Report of SAFA must include details of any advice of the Advisory Board that the Treasurer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

Internal Audit

The Authority maintains effective Internal Audit and Compliance functions who provide assurance over major operational areas. Further comments on the work of these functions is included later in this section of the Report.

Structure

The following diagram reflects the relationship between the Treasurer of South Australia, SAFA and SAFA’s controlled entities as at 30 June 2001.



CHANGES TO ORGANISATIONAL STRUCTURE

There have not been any changes to SAFA’s organisational structure during the 2000-01 financial year. SAFA has planned for notable changes, however, in 2001-02 resulting from the reduction in activities within subsidiary operations, including the winding up of:

- South Australian Finance Ltd, which was placed into voluntary liquidation on 1 June 2001;
- Palantir Pty Ltd, which was placed into voluntary liquidation as at 29 June 2001;
- SABT Pty Ltd; and
- South Australian Finance Trust Ltd (following the wind up of SABT Pty Ltd).

These changes are unlikely to have any material impact on SAFA’s consolidated result or financial position.

SIGNIFICANT FEATURES

Since late 1993-94, SAFA has been reducing the size of its ‘balance sheet’ and eliminating non-core activities. This has involved reductions in its capital base, the wind down of affiliated entities’ activities and a reduction in the size of the assets and liabilities held.

During 2000-01, as a consequence of receiving proceeds from the disposal of the State’s electricity infrastructure and business assets, SAFA continued to significantly reduce its lending activities.

SAFA’s unconsolidated operations:

- The operating surplus before income tax was \$44.7 million, an increase of \$10.5 million from the previous year. This surplus included a dividend received from SAFL of \$17.4 million and \$1.1 million from the South Australian Finance Trust Ltd.
- The value of total assets fell by \$5.1 billion (to \$8.0 billion), with a similar fall in the value of liabilities of \$5.2 billion (to \$7.7 billion).

- Monies received from the disposal of the State's remaining electricity businesses during the 2000-01 financial year amounted to \$1.2 billion after transaction costs. These monies were subsequently used for the repayment of State debt during 2000-01.
- Repayments of debt for the 2000-01 financial year totalled \$2.5 billion financed mainly from the proceeds from the disposal of the electricity businesses.
- Retained earnings available for distribution were \$263 million (\$227 million). No distribution was made to the Treasurer of South Australia for 2000-01.

Consolidated operations:

- Operating surplus before income tax decreased by \$9.1 million to \$32.6 million.
- Assets decreased by \$5.9 billion to \$8.0 billion.
- Liabilities decreased by \$5.9 billion to \$7.7 billion.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 25(2) of the *Government Financing Authority Act 1982* specifically provides for the Auditor-General to audit the accounts of the Authority 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 environment.

The audit plan encompassed the operations of SAFA and its controlled entities. The South Australian Finance Trust Limited (SAFTL) and SABT Pty Ltd are also audited by the Auditor-General (refer also to the section of this Report entitled SAFTL). Other controlled entities are audited by private accounting firms.

Areas subject to external audit attention were:

- cash and investments;
- borrowings;
- derivative transactions;
- risk management reporting and monitoring;
- accounting and settlement functions;
- debt management operations, including the application of the ETSA disposal proceeds;
- fiduciary activities, including SAFA's involvement in the management of the South Australian Asset Management Corporation (SAAMC) portfolio and residual government-owned electricity entities.

The audit planning process took into account the extent and results of reviews undertaken by Internal Audit and the scope of SAFA's Compliance Officer's work.

The internal compliance function was significant to the carriage of internal audit work and formed an important part of the internal control environment for 2000-01.

In accordance with Auditing Standard AUS604 'Using the Work of Another Auditor', the work undertaken by Internal Audit and the findings arising from that work have been reviewed and tested by Audit as an element of the assessment of the internal control environment of SAFA. The extensive coverage and findings of Internal Audit in respect of internal controls contributed significantly to Audit forming the internal control opinion expressed in this Report.

Audit Communications to Management

In June 2001, Audit forwarded a letter to SAFA's management indicating that a satisfactory internal control environment was operating within SAFA. A satisfactory response was received to a minor issue raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Internal Audit and Compliance Officer

Internal Audit had submitted the following Reports during the year:

- Compliance Officer Review - September 2000 quarter (presented December 2000)
- Internal Audit Half yearly Report - December 2000 (presented February 2001)
- Compliance Officer Review - March quarter 2001 (presented July 2001)
- Internal Audit Report - January to May 2001 (presented August 2001)

The above Reports indicated that SAFA had a satisfactory internal control environment, with only minor issues being noted throughout the year.

Commentary on Financial Reporting

In last year's Report I recognised that Australian Accounting Standards currently do not prescribe the basis of accounting to be adopted by financial institutions. In view, however, of trends both interstate and overseas for accounting on a current value (mark-to-market) basis rather than historical cost, SAFA was asked to formally consider its strategy for financial reporting from a risk perspective. That is, should such a move be externally imposed on SAFA by changes in the regulatory environment it would require a significant resource and logistical effort, which it should begin to plan for now.

SAFA responded that it would progress the issues concerning financial reporting as a primary objective, with the need to undertake such a review being earmarked within SAFA's business plan endorsed by SAFA's Advisory Board.

Audit has been advised that the Authority has determined that it will move to mark-to-market accounting effective from 1 July 2001.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Government Financing 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 Government Financing Authority 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

SAFA's Business

As the public sector's central borrowing authority, SAFA is responsible for raising funding for the majority of government agencies, lending predominantly and directly to the Treasurer of South Australia. The cost of borrowed funds is passed onto SAFA's clients through the interest rates charged.

SAFA's operating surplus is significantly derived from:

- a margin on funds lent;
- a return on retained earnings;
- sundry income (including dividends from subsidiaries, debt redemption assistance etc), less operating expenses.

During the last two years SAFA's level of lending activity has rapidly reduced reflecting the Government's policy and legislative requirement to use proceeds received from the disposal of the State's electricity infrastructure and businesses to pay off debt. This has resulted in large variances in comparative figures in both the Statements of Financial Position and Financial Performance; especially asset, liability and interest revenue/expense items. With the finalisation of the State's electricity disposal activities and the wind down of various non-core activities, such large movements are expected to be lessened over coming years.

The receipt of such monies has also had consequences to SAFA's debt management function, as the Treasurer has changed his policy benchmark duration from 2.8 years to in between 1 to 1.5 years.

Statement of Financial Performance

Operating Surplus

SAFA's operations in 2000-01 included an operating surplus before income tax of \$44.7 million. This represents an increase of \$10.5 million from 1999-00 results attributable mainly to dividends received from subsidiary operations.

From a consolidated viewpoint, a decrease in operating surplus before income tax of \$9.1 million was made. This can be mainly contributed to a fall in debt redemption assistance of approximately \$4 million and decreases in net interest revenue of \$6 million.

Interest Revenue

Interest revenue from loans to the South Australian Government decreased by \$233 million to \$332.7 million due to reductions in the loan balance following the finalisation of the government-owned electricity business disposals, and a reduction in the average interest rate from 8.42 percent to 7.96 percent.

Interest revenue from cash and short term assets decreased by \$45 million (37 percent) as these assets (which were predominantly the unused proceeds received during the 1999-2000 financial year from the electricity business disposals) were used to retire debt in the first half of the financial year.

Interest Expense

The retirement of debt also had an effect on total interest expense, which declined by \$329.9 million to \$704.2 million.

Statement of Financial Position

SAFA's Capital

SAFA has experienced a significant decrease in capital since 1993-94 reflecting a policy decision that excess capital be repaid to general revenue. At 30 June 2001, SAFA's capital reserves were represented solely by its Retained Surplus, which stood at \$263 million (\$227 million).

As part of the preparation of the State Budget for 2001-02, the Treasurer requested that the level of SAFA's capital be reviewed. The outcome of this review is that further decreases in capital are proposed to occur with SAFA's capital base being reduced to \$75 million progressively from 2001-02 to 2004-05. This decrease in the retained surplus should bring SAFA more in line with the capital holdings of interstate central financing authorities.

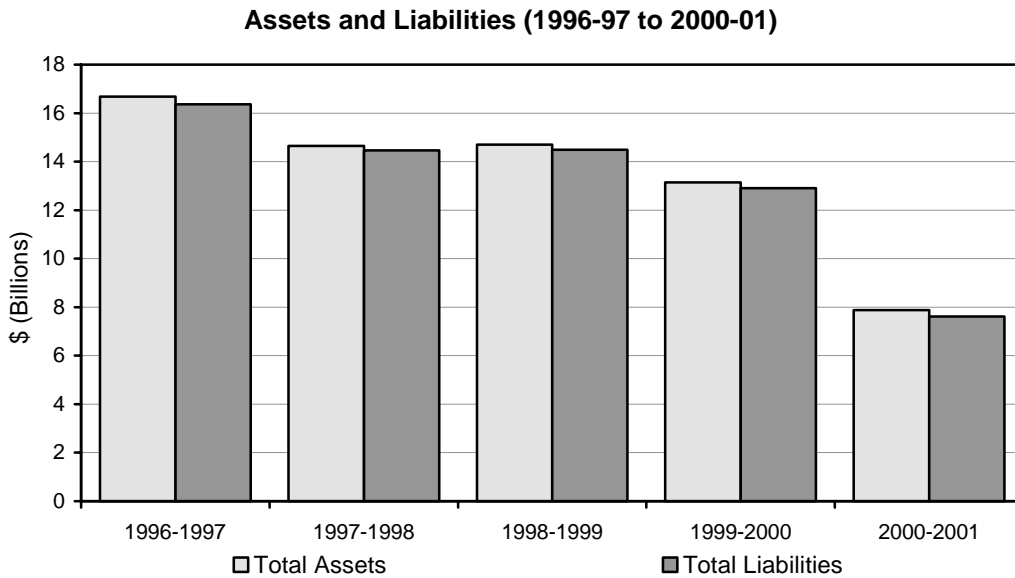
Given that a significant component of SAFA's operating surplus is derived from the return on retained earnings/capital, such a reduction would be expected to reduce the profitability of SAFA in the future, all things being equal.

No distributions have been made to the Treasurer from SAFA since 1998.

Assets and Liabilities

As discussed, the use of proceeds from the disposal of the government-owned electricity assets has had a significant impact on the size of SAFA's Statement of Financial Position.

During 2000-01, SAFA's liabilities decreased by \$5.2 billion to \$7.7 billion, with an associated decrease in assets by \$5.1 billion to \$8.0 billion. This decrease has followed the same declining trend as has been shown over the past five years, as highlighted in the graph below.



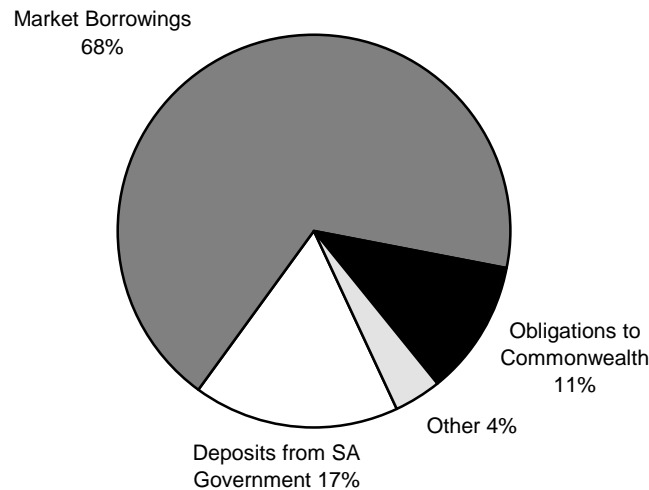
The main reasons for the significant fall in 2000-01 include:

- Loans to the South Australian Government falling sharply from \$5 854 million to \$3 756 million. This reduction was primarily a result of debt retirement relating to proceeds received from the electricity business disposals;
- The balance of currency swaps receivable decreasing by \$691 million (50 percent) and the balance of currency swaps payable decreasing by \$732 million (55 percent) as a number of swaps matured in June 2001; and
- Short term assets and borrowings reduced by approximately \$1.3 billion, which resulted from the use of proceeds deposited with SAFA as at 30 June 2000.

Composition of Liabilities

Included within the outstanding liabilities of \$7.7 billion are a mix of obligations to both internal South Australian Government bodies and non-government entities. The following graph details the composition of liabilities as at 30 June 2001.

Composition of Liabilities (30 June 2001)



FURTHER COMMENTARY ON OPERATIONS

Debt redemption assistance payments

SAFA currently receives debt redemption assistance payments from the Commonwealth Government. These payments are made up of two components - Borrowing Cost Compensation and Commonwealth Contribution Compensation, which it receives on a quarterly basis.

Borrowing cost compensation is received by SAFA to compensate for higher interest costs that occur on refinancing maturing Commonwealth Government borrowings. The amount received during 2000-01 was \$7.2 million. Over the next four years, the amounts estimated to be received range between \$3 million and \$5 million, with a final payment of approximately \$30 million expected to be received in 2005-06. These amounts will be recognised as other revenue in SAFA's Statement of Financial Performance.

The Common Public Sector Interest Rate

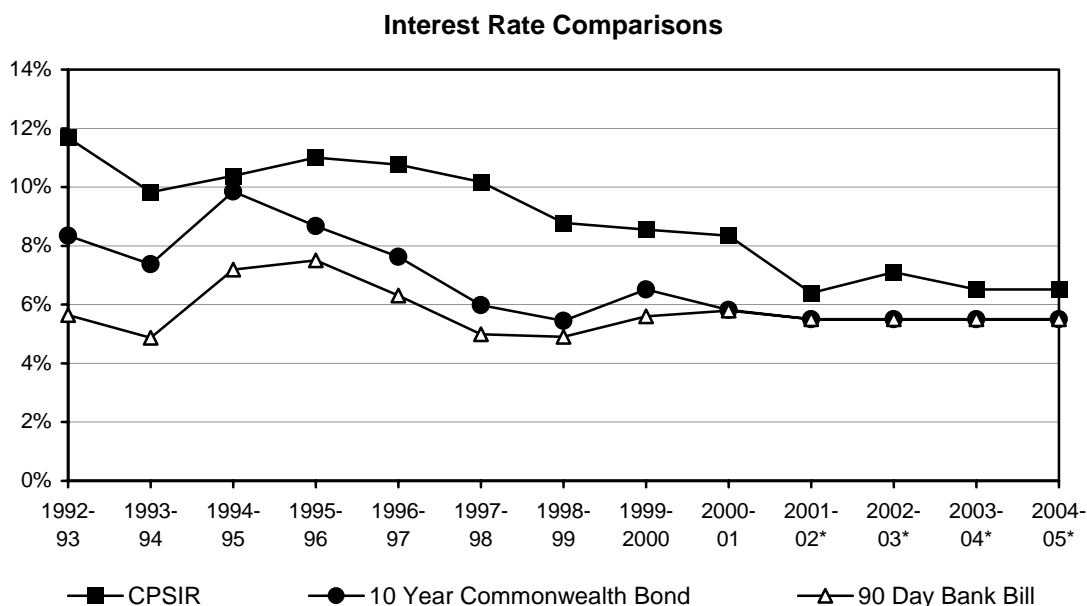
A major proportion of funding provided by SAFA is that to the Treasurer at a common interest rate referred to as the Common Public Sector Interest Rate (CPSIR). The CPSIR is the quarterly charge out rate reflecting SAFA's average costs of borrowings sourced from domestic and international financial markets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

The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are re-priced). For details on the market value cost of state debt, refer to the commentary in Part A of this Report under the heading 'State Debt'.

The average annual CPSIR for 2000-01 was 8.35 percent (8.55 percent).

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

While there is no direct benchmark against which to compare the CPSIR rate, the following graph indicates the movements in the average CPSIR against the 90 day bank bill rate and the 10 year Commonwealth Bond rate:



* Estimated

A significant reason for the sharp decrease in the CPSIR estimated rate in 2001-02 is the return of approximately \$30 million interest overcharged to the Treasurer by SAFA over the last three years as a result of timing differences between charging and determination of CPSIR. This also explains the increase in the rate expected in 2002-03.

The main reasons why the CPSIR remains higher than market rates stem from the fact that the portfolio includes borrowings undertaken in the past when rates were higher than those of today, and that it is calculated based on accounting results and not the market cost of funds.

Notwithstanding this, there has been a narrowing over time of the gap between the CPSIR and market interest rates due to the early termination of high coupon rate debt, and the rollover of debt at the current lower market rate.

Business Risk Management

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

The main task of the managed portfolio is to minimise interest rate risk within the portfolio with respect to the policy benchmark approved by the Treasurer. The management of this portfolio involves the use of risk measurements including Value at Risk, duration and interest rate sensitivity measures.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. The result of this is that SAFA have no interest rate risk in regards to the Treasurer's portfolios.

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

- Foreign currency portfolio
- Reinvestment portfolio
- Client derivatives portfolio
- Foreign exchange hedging service portfolio
- Cash Management Fund
- Cash Enhanced Fund.

These portfolios are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies.

Any profits or losses from the other principal portfolios are recorded in SAFA's Statement of Financial Performance.

Statement of Financial Performance for the year ended 30 June 2001

	Note	SAFA		Consolidated	
		2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Interest revenue	18	729.2	1 061.8	773.9	1 142.3
Less: Interest expense	18	704.2	1 034.1	742.5	1 104.9
Net Interest Revenue		25	27.7	31.4	37.4
Dividends	19	18.5	-	-	-
Other non-interest revenue	20	11.0	14.8	11.5	13.0
Less: Non-interest Expenses	21	9.8	8.3	10.3	8.7
OPERATING SURPLUS BEFORE INCOME TAX		44.7	34.2	32.6	41.7
INCOME TAX (TER) ATTRIBUTABLE TO OPERATING SURPLUS		8.9	12.3	8.9	12.5
OPERATING SURPLUS AFTER INCOME TAX		35.8	21.9	23.7	29.2
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		35.8	21.9	23.7	29.2

Statement of Financial Position as at 30 June 2001

	Note	SAFA		Consolidated	
		2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
ASSETS:					
Cash and short-term assets	2	909	2 227	924	2 343
Investments	3	473	930	473	1 449
Loans to the South Australian Government	4	3 756	5 854	3 756	5 854
Loans to semi-government authorities	5	1 163	1 427	1 163	1 427
Loans provided to public sector financial institutions	6	838	882	838	842
Capital investments	7	-	6	-	-
Currency swaps - Receivables	8	685	1 376	678	1 498
Other assets	9	186	437	186	482
TOTAL ASSETS		8 010	13 139	8 018	13 895
LIABILITIES:					
Deposits and short-term borrowings	10	1 880	3 211	1 880	3 204
Bonds, notes and debentures	11	4 163	6 976	4 197	7 621
Obligations to Commonwealth Government	12	844	935	844	935
Currency swaps - Payable	13	589	1 321	582	1 436
Other liabilities	14	271	469	246	453
Total Liabilities		7 747	12 912	7 749	13 649
CAPITAL AND RESERVES:					
Retained surplus	15	263	227	269	246
Total Capital and Reserves		263	227	269	246
TOTAL CAPITAL, RESERVES AND LIABILITIES		8 010	13 139	8 018	13 895
Contingent Assets	16				
Contingent Liabilities	17				

Statement of Cash Flows for the year ended 30 June 2001

	Note	SAFA		Consolidated	
		2001 Inflows (Outflows) \$'million	2000 Inflows (Outflows) \$'million	2001 Inflows (Outflows) \$'million	2000 Inflows (Outflows) \$'million
CASH FLOWS FROM OPERATING ACTIVITIES:					
Interest received on loans to clients		558	785	558	783
Interest received on investments		178	255	264	278
Dividend received		19	-	-	-
Other income		13	192	12	190
Interest paid on borrowings		(571)	(956)	(577)	(965)
Administration fees paid		(14)	(8)	(14)	(9)
TER income tax paid		(9)	(22)	(10)	(23)
Net Cash provided by Operating Activities	22	174	246	233	254
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net proceeds from payments for loans to clients		2 414	2 397	2 414	2 419
Purchase of investments		(10 003)	(11 426)	(10 036)	(11 671)
Proceeds from investments		11 509	10 532	12 328	10 772
Net Cash provided by Investing Activities		3 920	1 503	4 706	1 520
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of obligations to Commonwealth Government		(91)	(172)	(91)	(172)
Repayment of borrowings		(4 279)	(1 317)	(5 124)	(1 344)
Net Cash used in Financing Activities		(4 370)	(1 489)	(5 215)	(1 516)
NET (DECREASE) INCREASE IN CASH HELD		(276)	260	(276)	258
CASH AT 1 JULY		429	169	436	177
EFFECT OF EXCHANGE RATE CHANGES		1	-	2	1
CASH AT 30 JUNE	22	154	429	162	436

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Statement of Accounting Policies**

(a) **Principal Accounting Policies**

In the financial report, the South Australian Government Financing Authority, the 'Parent Entity', is referred to as 'SAFA' and the 'Economic Entity', consists of SAFA and all entities in which it has control. The consolidated accounts comprise the accounts of the Economic Entity. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia, 5000.

The financial report has been prepared as a general purpose financial report in accordance with the Australian Accounting Standards (Accounting Standards), Urgent Issues Group (UIG) Consensus Views and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the South Australian *Public Finance and Audit Act 1987*.

The accounting policies adopted are consistent with those of the previous year unless otherwise stated.

(b) **Principles of Consolidation**

The consolidated financial report of the Economic Entity include the accounts of SAFA, being the parent entity, and its controlled entities listed in Note 28. All assets and liabilities of the affiliated entities are consolidated as of 30 June 2001. If the base currency of the controlled entity is in a foreign currency then the assets and liabilities are converted at the exchange rate existing as at 30 June 2001. Where entities have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal. All material balances and transactions between members of the Economic Entity have been eliminated on consolidation.

(c) **Statutory Guarantee**

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

(d) **Historical Cost Convention**

The historical cost convention has been adopted and unless otherwise stated, the amounts presented in the Statement of Financial Position do not reflect realisable values of assets and liabilities or changes in the purchasing power of money.

(e) **Foreign Currency Translation**

Foreign currency assets and liabilities are brought into the financial report at the exchange rate applying at 30 June 2001. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial report. Revaluation of foreign currency assets and liabilities are recognised as unrealised gains or losses and are brought to account in the Statement of Financial Performance.

Forward foreign exchange contracts are translated at the exchange rate applying at 30 June 2001. Resulting exchange differences are recognised in the Statement of Financial Performance.

(f) **Interest Recognition**

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

(g) **Non-Interest Revenue Recognition**

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

Income from the Commonwealth Government is provided under the terms and conditions of the *Financial Agreement Act 1994* as compensation for refinancing of previous borrowings undertaken by the Commonwealth Government. The revenue is recognised on an accrual basis in the period to which it relates.

(h) **Employee Benefits**

All officers engaged on SAFA business are employees of the South Australian Department of Treasury and Finance (Treasury). SAFA pays a fee to Treasury for services rendered, including staffing resources as part of a Service Level Agreement. The responsibility to provide for employer contributions to superannuation benefits rests with Treasury and for this reason SAFA is not required to establish a provision. Long service leave liabilities are met by Treasury as they fall due. The controlled entities comprising the Economic Entity do not have any employees.

(i) **Recognition of Gains and Losses**

Gains and losses result from the early termination of assets, liabilities and derivative transactions, the daily mark-to-market revaluation of financial futures and the realised gains and losses resulting from forward rate agreements. These gains and losses are recognised immediately in the Statement of Financial Performance. Where the transaction relates to the management of liabilities on behalf of the Treasurer of South Australia, SAFA recoups the gain or loss by making an adjustment to the Treasurer's debt level.

(j) **Tax Equivalent Disclosure**

SAFA and its controlled entities came under a Tax Equivalent Regime (TER) as from 1 July 1995 and are taxed (at 34 percent) using the Accounting Profits Tax Model. SAFA receives a credit against its TER liability for any income tax paid directly or by its controlled entities in Australia or in other jurisdictions.

South Australian Finance Trust Limited (SAFTL), which previously came under the Commonwealth income tax jurisdiction, commenced under the TER as from 1 July 1995 and is assessed under a Substantive Tax Model which adopts as its basis the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*.

(k) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

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

(k) Goods and Services Tax (continued)

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables. No amounts were included in the Statement of Cash Flows as GST paid to and GST received from the Australian Taxation Office as both were less than \$500 000.

(l) Derivative Instruments

The Economic Entity utilises derivative instruments in fund raising, debt management and client activities. They are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and to manage foreign currency exposures.

The specific policies applying to derivative instruments are detailed below:

Currency Swaps - Recorded in the Statement of Financial Position on a gross basis and translated at the exchange rate applying at 30 June 2001. Resulting exchange differences are recognised in the Statement of Financial Performance. Interest receipts and interest payments are accrued on a gross basis in other assets and other liabilities respectively in the Statement of Financial Position and classified as interest revenue and interest expense in the Statement of Financial Performance.

Interest Rate Swaps - Accounted for on an historic cost basis with interest receipts and interest payments accrued on a gross basis in other assets and other liabilities respectively in the Statement of Financial Position. Net interest expense is recorded against Bonds, Notes and Debentures in the Statement of Financial Performance.

Financial Futures and Exchange Traded Interest Rate Option Contracts - Marked to market daily and the resultant change in value is recognised directly in the Statement of Financial Performance.

Forward Rate Agreements - Realised gains or losses are recognised directly in the Statement of Financial Performance.

Forward Foreign Exchange Contract - Translated at the exchange rate applying at 30 June 2001. Resulting exchange differences are recognised in the Statement of Financial Performance.

(m) Cash and Short Term Assets

Primarily, short term money market deposits and negotiable discount securities which are held for liquidity and investment purposes. Cash and short term assets are recorded at cost with interest income accrued in accordance with the terms of the transaction.

(n) Investments

Investments are assets originating outside the South Australian public sector, which are purchased as part of portfolio management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector.

Investments are recorded at cost with the cost adjusted for the amortisation of premiums and accretion of discounts until maturity. The cost of securities sold is calculated on a closest yield basis of identification.

The Economic Entity does not hold investments for trading purposes.

(o) Loans and Advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. The Treasurer of South Australia guarantees all loans and advances to South Australian Public Sector entities. The loan portfolio is reviewed regularly and an impairment of a loan would be recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the relevant agreement. There are no impaired loans as at 30 June 2001.

(p) Repurchase Agreements

Securities sold under an agreement to repurchase are retained within the investment category. The obligation to repurchase is recorded as a Contingent Liability. The difference between the sale and repurchase price represents the interest income/expense and is recognised in the Statement of Financial Position over the term of the repurchase agreement.

(q) Bonds, Notes and Debentures

Funds are raised through various instruments including bonds, notes and debentures. These instruments are recorded at historical cost and the effective historic cost of the transaction is recognised in the Statement of Financial Position on an accrual basis. All borrowings are raised on an unsecured basis.

(r) Other Assets and Liabilities

Other assets, including debtors, prepayments and accruals, and other liabilities, including creditors, expense accruals and provisions, are all stated at cost.

(s) Maturity of Assets and Liabilities

The maturity classification of the assets and liabilities is determined by the length of time from the date of the financial report 30 June 2001, to the contractual repayment date of the individual assets and liabilities.

(t) Average Balances

The average balances presented in Note 18 have been calculated on a daily balance with the average rate resulting from a simple calculation of average balance and interest.

(u) Comparatives

The comparative amounts for the previous year have been reclassified to facilitate comparison with changes in presentation in the current year.

1. **Summary of Significant Accounting Policies (continued)****(v) Rounding**

Unless otherwise indicated, all amounts have been rounded to the nearest million Australian dollars.

2. **Cash and Short-Term Assets**

	SAFA		Consolidated	
	2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Carrying Value:				
Cash at bank	6.3	16.4	14.8	24.1
Short-term money market deposits	147.4	413.1	147.4	413.1
Negotiable discount securities	754.8	1 797.8	761.7	1 906.1
	908.5	2 227.3	923.9	2 343.3
Net Fair Value:				
Cash at bank	6.3	16.4	14.8	24.1
Short-term money market deposits	147.4	413.1	147.4	413.1
Negotiable discount securities	754.8	1 798.0	761.7	1 906.1
	908.5	2 227.5	923.9	2 343.3
Maturity Analysis of Cash and Liquid Assets:				
At call	172.7	429.5	181.2	437.2
Due in less than three months	696.5	993.6	703.4	999.5
Longer than three and not longer than 12 months	39.3	804.2	39.3	906.6
Longer than one and not longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	908.5	2 227.3	923.9	2 343.3

3. **Investments**

Carrying Value:				
Semi-government securities	-	362.4	-	362.4
Commonwealth Government guaranteed securities	255.2	255.5	255.2	255.5
Local government securities	24.8	33.2	24.8	33.2
Indexed securities	96.1	93.1	96.1	93.1
Mortgage backed securities	8.1	10.7	8.1	10.7
Corporate securities and loans	88.8	175.0	88.8	693.8
	473.0	929.9	473.0	1 448.7
Net Fair Value:				
Semi-government securities	-	360.0	-	360.0
Commonwealth Government guaranteed securities	256.3	252.7	256.3	252.7
Local government securities	38.2	47.7	38.2	47.7
Indexed securities	100.4	93.0	100.4	93.0
Mortgage backed securities	9.6	11.9	9.6	11.9
Corporate securities and loans	89.2	176.4	89.2	710.5
	493.7	941.7	493.7	1 475.8
Maturity Analysis of Investment Securities:				
At call	0.2	-	0.2	-
Due in less than three months	20.1	0.4	20.1	0.4
Longer than three and not longer than 12 months	91.7	120.9	91.7	639.7
Longer than one and not longer than five years	182.3	212.0	182.3	212.0
Longer than five years	178.7	596.6	178.7	596.6
	473.0	929.9	473.0	1 448.7

4. **Loans to the South Australian Government**

Carrying Value:				
Loans to SA Government at CPSIR	3 647.6	5 737.8	3 647.6	5 737.8
Loans to SA Government at market	108.2	116.0	108.2	116.0
	3 755.8	5 853.8	3 755.8	5 853.8
Net Fair Value:				
Loans to SA Government at CPSIR	3 810.3	5 932.9	3 810.3	5 932.9
Loans to SA Government at market	122.6	130.3	122.6	130.3
	3 932.9	6 063.2	3 932.9	6 063.2
Maturity Analysis of Loans to SA Government:				
At call	8.6	8.7	8.6	8.7
Due in less than three months	5.0	11.8	5.0	11.8
Longer than three and not longer than 12 months	8.5	-	8.5	-
Longer than one and not longer than five years	31.0	25.8	31.0	25.8
Longer than five years	3 702.7	5 807.5	3 702.7	5 807.5
	3 755.8	5 853.8	3 755.8	5 853.8

The Common Public Sector Interest Rate (CPSIR) is the charging mechanism through which the Government allocates the net interest cost paid on debt owing to the external financial market within the South Australian public sector. The CPSIR is the rate charged on the majority of the South Australian Government's debt with SAFA. The CPSIR is set by the Treasurer on a quarterly basis and interest is payable by public sector entities to the Treasurer and by the Treasurer to SAFA.

Effectively, the CPSIR loan to the Treasurer is the mirror of all the assets and liabilities that constitute the Treasurer's portfolios (see Note 23). SAFA recovers the net interest expense of these assets and liabilities plus a margin through the rate charged on the Treasurer's CPSIR loan.

4. Loans to the South Australian Government (continued)

Gains and losses resulting from debt management activities on behalf of the Treasurer in the Treasurer's portfolios (see Note 23) are passed on to the Treasurer as an adjustment of the balance of the loan at CPSIR.

The net fair value of the loans at CPSIR is considered to be the net fair value of the net Australian dollar borrowings funding those loans.

5. Loans to Semi-Government Authorities

	SAFA		Consolidated	
	2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Carrying Value:				
RESI Corporation	-	47.6	-	47.6
ElectraNet SA	-	227.9	-	227.9
Flinders Power Pty Ltd	-	9.5	-	9.5
Minister for Primary Industries	18.8	23.2	18.8	23.2
Minister for Transport	6.9	7.6	6.9	7.6
South Australian Ports Corporation	9.2	16.8	9.2	16.8
Industrial and Commercial Premises Corporation	37.9	35.0	37.9	35.0
South Australian Water Corporation	1 090.4	1 059.7	1 090.4	1 059.7
	1 163.2	1 427.3	1 163.2	1 427.3
Net Fair Value:				
RESI Corporation	-	47.6	-	47.6
ElectraNet SA	-	257.2	-	257.2
Flinders Power Pty Ltd	-	9.5	-	9.5
Minister for Primary Industries	18.9	23.2	18.9	23.2
Minister for Transport	7.0	7.8	7.0	7.8
South Australian Ports Corporation	9.4	16.8	9.4	16.8
Industrial and Commercial Premises Corporation	41.3	38.5	41.3	38.5
South Australian Water Corporation	1 092.9	1 083.9	1 092.9	1 083.9
	1 169.5	1 484.5	1 169.5	1 484.5
Maturity Analysis of Loans to Semi- Government Authorities:				
At call	33.0	230.8	33.0	230.8
Due in less than three months	126.3	78.4	126.3	78.4
Longer than three and not longer than 12 months	102.6	155.6	102.6	155.6
Longer than one and not longer than five years	499.1	390.6	499.1	390.6
Longer than five years	402.2	571.9	402.2	571.9
	1 163.2	1 427.3	1 163.2	1 427.3
6. Loans to Public Sector Financial Institutions				
Carrying Value:				
Local Government Financing Authority	34.4	69.0	34.4	69.0
HomeStart Finance ⁽¹⁾	690.6	662.1	690.6	662.1
South Australian Finance Trust Ltd	-	10.1	-	-
South Australian Finance Limited (UK)	-	30.0	-	-
South Australian Community Housing Authority	112.7	110.6	112.7	110.6
	837.7	881.8	837.7	841.7
Net Fair Value:				
Local Government Financing Authority	37.2	72.1	37.2	72.1
HomeStart Finance ⁽¹⁾	689.1	660.3	689.1	660.3
South Australian Finance Trust Ltd	-	10.1	-	-
South Australian Finance Limited (UK)	-	30.0	-	-
South Australian Community Housing Authority	115.8	114.0	115.8	114.0
	842.1	886.5	842.1	846.4
Maturity Analysis for Loans to Public Sector Financial Institutions:				
At call	1.1	35.6	1.1	32.0
Due in less than three months	229.7	203.3	229.7	203.3
Longer than three and not longer than 12 months	14.2	52.8	14.2	16.3
Longer than one and not longer than five years	523.4	460.7	523.4	460.7
Longer than five years	69.3	129.4	69.3	129.4
	837.7	881.8	837.7	841.7

(1) The carrying amount of this loan has not been reduced to its net fair value as it is considered that the full carrying amount will be recovered.

7. Capital Investments

Carrying Value:				
South Australian Finance Ltd (UK) - Capital	0.0	5.8	-	-

8. Currency Swaps - Receivable

Carrying Value:				
Currency swaps - Receivables	685.2	1 376.3	678.4	1 497.6
Net Fair Value:				
Currency swaps - Receivables	719.8	1 402.9	712.9	1 527.0

8.	Currency Swaps – Receivable (continued)	SAFA		Consolidated	
		2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Maturity Analysis of Currency Swaps - Receivable:					
	At call	-	-	-	-
	Due in less than three months	-	-	-	-
	Longer than three and not longer than 12 months	151.3	699.8	151.3	826.9
	Longer than one and not longer than five years	533.9	676.5	527.1	670.7
	Longer than five years	-	-	-	-
		685.2	1 376.3	678.4	1 497.6
9. Other Assets					
Carrying Value:					
	Accrued interest	181.9	419.6	181.9	460.1
	Prepayments	3.9	17.5	3.9	17.5
	Sundry debtors	0.5	0.2	0.4	3.9
		186.3	437.3	186.2	481.5
Net Fair Value:					
	Accrued interest	181.9	419.6	181.9	460.1
	Prepayments	-	-	-	-
	Sundry debtors	0.5	0.2	0.4	3.9
		182.4	419.8	182.3	464.0
10. Deposits and Short-term Borrowings					
Carrying Value:					
	Deposits	191.6	32.4	191.6	32.4
	Deposits from the Treasurer of South Australia	1 027.6	2 632.3	1 027.6	2 632.3
	Deposits from semi-government authorities	424.6	391.4	424.6	391.4
	South Australian Asset Management Corporation	33.2	51.8	33.2	51.8
	Commercial Paper	-	103.3	-	95.6
	European Commercial Paper	203.3	-	203.3	-
		1 880.3	3 211.2	1 880.3	3 203.5
Net Fair Value:					
	Deposits	178.5	32.4	178.5	32.4
	Deposits from the Treasurer of South Australia	1 036.1	2 632.6	1 036.1	2 632.6
	Deposits from semi-government authorities	440.0	410.0	440.0	410.0
	South Australian Asset Management Corporation	29.6	51.7	29.6	51.7
	Commercial Paper	-	107.0	-	99.3
	European Commercial Paper	202.5	-	202.5	-
		1 886.7	3 233.7	1 886.7	3 226.0
Maturity Analysis of Deposits and Short-term Borrowings:					
	At call	1 351.6	2 533.8	1 351.6	2 533.8
	Due in less than three months	222.8	182.9	222.8	182.9
	Longer than three and not longer than 12 months	8.9	445.5	8.9	437.8
	Longer than one and not longer than five years	97.8	16.8	97.8	16.8
	Longer than five years	199.2	32.2	199.2	32.2
		1 880.3	3 211.2	1 880.3	3 203.5
11. Bonds, Notes and Debentures					
Carrying Value:					
	Inscribed stock	2 221.9	3 863.6	2 221.9	4 482.8
	Inflation linked bonds and annuities	506.4	534.4	506.4	534.4
	Debentures	2.8	2.9	36.9	28.6
	Eurobonds	554.8	653.6	554.8	653.6
	Samurai bonds	214.2	624.7	214.2	624.7
	Medium term notes	266.2	770.1	266.2	770.1
	Borrowings from financial institutions	255.4	254.5	255.4	254.5
	Annuities	140.9	272.7	140.9	272.7
		4 162.6	6 976.5	4 196.7	7 621.4
Net Fair Value:					
	Inscribed stock	2 385.0	4 024.4	2 385.0	4 656.3
	Inflation linked bonds and annuities	565.3	611.6	565.3	611.6
	Debentures	2.9	3.0	31.1	29.0
	Eurobonds	653.3	756.7	653.3	756.7
	Samurai bonds	214.0	618.6	214.0	618.6
	Medium term notes	327.4	842.3	327.4	842.3
	Borrowings from financial institutions	279.0	282.3	279.0	282.3
	Annuities	140.4	275.8	140.4	275.8
		4 567.3	7 414.7	4 595.5	8 072.6
Maturity Analysis of Bonds, Notes and Debentures:					
	At call	-	-	-	-
	Due in less than three months	64.9	353.5	64.9	353.5
	Longer than three and not longer than 12 months	425.5	2 165.0	425.5	2 784.2
	Longer than one and not longer than five years	2 528.6	2 434.3	2 562.7	2 460.0
	Longer than five years	1 143.6	2 023.7	1 143.6	2 023.7
		4 162.6	6 976.5	4 196.7	7 621.4

12. Obligations to Commonwealth Government	SAFA		Consolidated	
	2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Carrying Value:				
Obligations to the Commonwealth Government	844.4	935.2	844.4	935.2
Net Fair Value:				
Obligations to the Commonwealth Government	682.0	761.2	682.0	761.2
Maturity Analysis of Obligations to the Commonwealth Government:				
At call	-	-	-	-
Due in less than three months	23.9	74.2	23.9	74.2
Longer than three and not longer than 12 months	17.9	5.2	17.9	5.2
Longer than one and not longer than five years	62.3	75.0	62.3	75.0
Longer than five years	740.3	780.8	740.3	780.8
	844.4	935.2	844.4	935.2
13. Currency Swaps - Payable				
Carrying Value:				
Currency swaps - Payable	588.6	1 320.5	581.8	1 435.5
Net Fair Value:				
Currency swaps - Payable	591.3	1 324.1	584.5	1 438.8
Maturity Analysis of currency swaps - Payable:				
At call	-	-	-	-
Due in less than three months	0.6	0.5	0.6	0.5
Longer than three and not longer than 12 months	124.4	725.5	124.4	846.3
Longer than one and not longer than five years	463.6	594.5	456.8	588.7
Longer than five years	-	-	-	-
	588.6	1 320.5	581.8	1 435.5
14. Other Liabilities				
Carrying Value:				
Accrued interest	222.0	417.6	194.7	398.3
Interest received in advance	13.1	2.6	13.1	2.6
Income tax liability	0.1	-	2.2	3.0
Provisions	-	29.6	-	29.6
Sundry creditors	35.3	19.2	35.5	19.4
	270.5	469.0	245.5	452.9
Net Fair Value:				
Accrued interest	222.0	417.6	194.7	398.3
Interest received in advance	-	-	-	-
Income tax liability	0.1	-	2.2	3.0
Provisions	-	29.6	-	29.6
Sundry creditors	35.3	19.2	35.5	19.4
	257.4	466.4	232.4	450.3
15. Retained Surplus				
Balance at 1 July	227.4	205.5	245.5	216.3
Add: Transfer from Statement of financial Performance	35.8	21.9	23.7	29.2
Distribution as determined by the Treasurer of South Australia	-	-	-	-
Balance at 30 June	263.2	227.4	269.2	245.5

The Treasurer of South Australia determined that there would be no distribution from SAFA for 2000-01.

- 16. Contingent Assets**
Zero Coupon Bond 2015
SAFA exercised a right to redeem a zero coupon bond borrowing in April 2000. The terms upon which SAFA could redeem the borrowing were disputed. Legal proceedings were commenced by SAFA to resolve the dispute and the zero coupon bond borrowing was subsequently redeemed in full but without prejudice to SAFA's position in the legal proceedings. As the transaction formed part of the Treasurer's portfolios, any result will not have a direct impact on SAFA's financial performance, but would be part of the net interest cost recovered from the Treasurer (see Note 23). SAFA reached settlement with one of the parties on 3 July 2001 and is continuing with legal proceedings in respect of the remaining party.

- 17. Contingent Liabilities**
General
SAFA, the Parent Entity, has guaranteed the financial obligations of its subsidiary entities in the United Kingdom (UK) and Hong Kong. The guarantees have been given in consideration for guarantee fees and in each instance SAFA has secured a first charge over the assets of those companies which comprise high credit status securities. As at 1 June 2001, the UK subsidiary was placed into voluntary liquidation.

SAFA has provided an indemnity to SAFTL for the aggregate borrowing costs and expenses properly incurred in the normal course of business, where it is shown that income of SAFTL is insufficient. Since November 2000, SAFTL has only had cash at bank and has paid administrative expenses. It is expected that SAFTL will be wound up in 2001-02 without further activity. Management does not consider this indemnity will be invoked.

General (continued)

Other indemnities provided by SAFA have been primarily provided to third parties involved, either directly or indirectly, in financing arrangements with SAFA, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages. No indemnities have been given for income tax aspects of any financing arrangement undertaken since July 1988.

Guarantees

In the past, SAFA has issued guarantees in favour of South Australian agencies with respect to certain offshore funding transactions. As at 30 June 2001, one transaction remains where there is any exposure to SAFA. Management considers that there is little chance for the guarantee to be called.

Repurchase Agreements

As at 30 June 2001, SAFA has sold \$689.8 million of Semi-Government and Commonwealth Government Guaranteed Securities through repurchase agreements. Under the terms of the repurchase agreements, SAFA will repurchase the investments within one month.

Unused Loan Facilities

As of 30 June 2001, SAFA has extended loan facilities that were unutilised totalling \$221 million.

18. Interest Revenue and Expense	2001			2000		
	Average Balance \$'million	Interest \$'million	Average Rate Percent	Average Balance \$'million	Interest \$'million	Average Rate Percent
SAFA						
Interest Revenue:						
Cash and short-term assets	1 304	75.4	5.78	2 213	120.4	5.44
Investments	1 238	90.2	7.29	1 268	97.3	7.67
Loans to SA Government	4 178	332.7	7.96	6 719	566.0	8.42
Loans to semi-government authorities	1 260	94.2	7.48	1 697	128.6	7.58
Loans to public sector financial institutions	843	55.1	6.54	1 044	61.2	5.86
Capital investments	2	-	0.00	6	-	0.00
Currency swaps - Receivable	1 375	81.6	5.93	1 610	88.3	5.48
	10 200	729.2	7.15	14 557	1 061.8	7.29
Interest Expense:						
Deposits and short-term borrowings	2 396	152.4	6.36	4 266	248.5	5.83
Bonds, notes and debentures	5 325	390.1	7.33	7 621	601.8	7.90
Obligations to Commonwealth Government	868	42.1	4.85	987	57.7	5.85
Currency swaps - Payable	1 332	119.6	8.98	1 471	126.1	8.57
	9 921	704.2	7.10	14 345	1 034.1	7.21
Consolidated						
Interest Revenue:						
Cash and short-term assets	1 381	80.1	5.80	2 328	127.3	5.47
Investments	1 520	124.3	8.18	1 808	162.0	8.96
Loans to SA Government	4 178	332.7	7.96	6 719	566.0	8.42
Loans to semi-government authorities	1 260	94.2	7.48	1 697	128.6	7.58
Loans to public sector financial institutions	840	54.0	6.43	979	56.2	5.74
Capital investments	-	-	-	-	-	-
Currency swaps - Receivable	1 371	88.6	6.46	1 731	102.2	5.90
	10 550	773.9	7.34	15 262	1 142.3	7.48
Interest Expense:						
Deposits and short-term borrowings	2 396	152.2	6.35	4 264	248.4	5.83
Bonds, notes and debentures	5 705	427.9	7.50	8 234	672.9	8.17
Obligations to Commonwealth Government	868	42.1	4.85	987	57.7	5.85
Currency swaps - Payable	1 327	120.3	9.07	1 543	125.9	8.16
	10 296	742.5	7.21	15 028	1 104.9	7.35

The net interest expense for interest rate swaps has been included in the interest expense figure for Bonds, Notes and Debentures. This classification was followed as it was considered to be the most appropriate for a better understanding of the interest costs of the Economic Entity.

The average balance has been calculated on a daily basis. The average interest rate equals interest revenue/expense divided by the average balance of interest bearing assets and liabilities.

19. Dividends	SAFA		Consolidated	
	2001 \$'million	2000 \$'million	2001 \$'million	2000 \$'million
Dividends from South Australian Finance Trust Ltd	1.1	-	-	-
Dividends from South Australian Finance Ltd (UK)	17.4	-	-	-
	18.5	-	-	-
20. Other Non-Interest Revenues				
Debt redemption assistance from Commonwealth Government	7.8	11.9	7.7	11.9
Indemnity and guarantee fees	0.6	1.2	-	-
Option fees	2.6	-	2.6	-
Foreign currency translation movement ⁽¹⁾	(1.4)	0.4	(0.6)	(0.1)
Management fees	0.8	1.1	0.8	1.1
Other	0.6	0.2	0.6	0.1
Sub Total	11.0	14.8	11.1	13.0

20. Other Non-Interest Revenues (continued)

	SAFA		Consolidated	
	2001	2000	2001	2000
	\$'million	\$'million	\$'million	\$'million
Gains (Losses):				
Losses from Treasurer's debt management	(4.6)	(186.9)	(4.6)	(186.9)
Gains from adjustment to Treasurer's debt level ⁽²⁾	4.6	(186.9)	4.6	(186.9)
Other gains	-	-	0.4	-
Net Profit (Loss)	-	-	0.4	-
	11.0	14.8	11.5	13.0

(1) Reflects the effects of the translation of foreign currency retained surpluses.

(2) Gains and losses result from the early termination of assets, liabilities and derivative transactions, the daily mark-to-market revaluation of financial futures and the realised gains and losses resulting from forward rate agreements. These gains and losses are recognised immediately in the Statement of Financial Performance. Where the transaction relates to the management of liabilities on behalf of the Treasurer of South Australia as part of the Treasurer's portfolio (see Note 23), SAFA recoups the gain or loss by making an adjustment to the Treasurer's debt level.

21. Non-Interest Expenses

	SAFA		Consolidated	
	2001	2000	2001	2000
	\$'million	\$'million	\$'million	\$'million
Service Level Agreement with Treasury	4.5	5.1	4.5	5.1
Financial Institution's Duty	0.7	1.0	0.7	1.4
Program and debt management fees	1.3	1.5	1.3	1.5
Option fees	2.6	-	2.6	-
Other	0.7	0.7	1.2	0.7
	9.8	8.3	10.3	8.7

The Service Level Agreement is between SAFA and Treasury. Treasury provides services to SAFA in order to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. Treasury provides SAFA with appropriately trained and skilled staff together with necessary infrastructure support including internal audit. The majority of the fees relates to staffing, accommodation, internal audit and network systems.

Program and debt management fees includes the cost of raising funds in the financial markets, futures brokerage, registry and credit rating fees. Other includes audit, Board and legal fees.

22. Cash Flow Information**(a) Reconciliation of Cash**

	SAFA		Consolidated	
	2001	2000	2001	2000
	\$'million	\$'million	\$'million	\$'million
Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts	154	429	162	436

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus after Income Tax

	SAFA		Consolidated	
	2001	2000	2001	2000
	\$'million	\$'million	\$'million	\$'million
Operating surplus after income tax	36	22	24	29
(Increase) Decrease accrued interest income	238	(31)	278	(32)
Increase (Decrease) accrued interest expense	(196)	23	(204)	17
Amortisations	84	231	124	247
(Increase) Decrease debtors	-	1	3	(3)
Increase (Decrease) creditors	(13)	(4)	(14)	(5)
Increase (Decrease) in interest received in advance	(11)	(64)	(11)	(66)
(Increase) Decrease in interest paid in advance	14	67	14	67
FX movement	-	1	(3)	-
Net Cash provided by Operating Activities	174	246	233	254

(c) Non-Cash Financing and Investing Activities

During 2000-01, \$4.6 million was adjusted against the Treasurer's debt for book gains and losses arising from debt management activity.

23. Additional Financial Instrument Disclosures

SAFA's core functions are fundraising, assets and liability management and the provision of financial risk management services to its public sector clients. SAFA aims to undertake its functions in a risk neutral fashion and to protect the interest of its owner and clients.

To assist in the management of SAFA's operations and its associated risks, SAFA's business activities have been separated into portfolios. SAFA's portfolio structure consists of a number of principal portfolios and two Treasurer's portfolios. Any profit and loss resulting from the operations of principal portfolios is for SAFA's account whilst net expenses in the Treasurer's portfolios are for the account of the Treasurer.

The principal portfolios are managed on very tight risk limits with little exposure to SAFA. The majority of transactions form the Treasurer's portfolios. These portfolios are managed within duration limits and value at risk limits with all the risk being borne by the Treasurer.

Interest Rate Risk

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

(i) *Interest Rate Futures Contracts*

A futures contract is an obligation to buy or sell an underlying commodity or financial instrument of a standardised amount and quantity at a specified future date with the price being set by an open auction system at the time when the contract is made.

The futures contracts principally transacted by SAFA are 90 day bank bill futures contracts and 3 year and 10 year bond futures contracts traded on the Sydney Futures Exchange.

The Economic Entity utilises futures contracts to manage interest rate exposures on a specific transaction or portfolio of transactions.

Futures contracts are closed out on or before maturity and physical delivery of the underlying instrument does not occur.

As at 30 June 2001, open interest rate futures positions represented a total notional principal of \$1 252 million.

The mark to market movement in futures contracts is taken to the Statement of Financial Performance where if it was undertaken as part of the Treasurer's portfolios is passed on to the Treasurer as an adjustment to his debt level (see Note 1(i)). During 2000-01, all futures contracts entered into were undertaken as part of the Treasurer's portfolios.

(ii) *Interest Rate Swaps*

An interest rate swap is a financial contract between two parties agreeing to exchange interest obligations over a fixed term on fixed dates. Interest amounts are calculated on a notional principal.

The Economic Entity utilises interest rate swaps to manage interest rate exposures on a specific transaction or portfolio of transactions.

Contracts principally involve the payment or receipt of interest payments on a quarterly or semi annual basis. As at 30 June 2001, the notional value of interest rate swaps totalled \$6 005 million.

All interest rate swaps, except those undertaken on behalf of clients, were part of the Treasurer's portfolios and are captured in the CPSIR recharge to the Treasurer.

(iii) *Exchange Traded Interest Rate Options*

An interest rate option is a contract between two parties where one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an interest rate differs to a specific strike rate. As at 30 June 2001, there was outstanding interest rate option contracts with notional value of \$48 million.

(iv) *Forward Rate Agreements (FRAs)*

A forward rate agreement is a contractual agreement between two parties to lock in a preset interest rate on an agreed notional principal for a given period of time commencing at a specific future date.

The Economic Entity utilises forward rate agreements to manage interest rate exposures on a specific transaction or portfolio of transactions. The notional value of forward rate agreements as at 30 June 2001 is \$790 million.

The settled amount for FRAs is recognised immediately in the Statement of Financial Performance, where, if it was undertaken as part of the Treasurer's portfolios it is passed onto the Treasurer as adjustment to his debt level (see Note 1(i)). During 2000-01, all FRAs entered into were as part of the Treasurer's portfolio.

(v) *Forward Starting Derivatives*

As part of its debt management activities, SAFA may enter into forward starting derivatives to hedge identified future exposures and as part of its service to public Sector Clients. As at 30 June 2001, SAFA had entered into forward starting interest rate swaps totalling \$178.8 million in notional face value. These forward starting swaps were related to hedging future client transactions or as part of managing the Treasurer's Portfolios.

(vi) *Interest Rate Risk Exposures*

The Economic Entity's exposure to interest rate risk, repricing maturities and effective interest rates on financial instruments as at 30 June 2001 consolidated into Australian dollars is detailed below:

	Weighted Average Effective Interest Rate Percent	Non- Interest Bearing A\$'million	Securities contracts to mature or reprice					2001 Total A\$'million
			On-Call A\$'million	3 months or less A\$'million	3 months to one year A\$'million	1 to 5 years A\$'million	5 years or more A\$'million	
Assets:								
Cash and short-term assets	4.97	-	181	704	39	-	-	924
Investments	5.53	-	-	109	46	139	179	473
Loans to SA Government	6.68	-	9	3 652	9	31	55	3 756
Loans to semi-government authorities	6.94	-	33	183	103	455	389	1 163
Loans to public sector financial institutions	5.48	-	1	690	14	64	69	838
Currency swaps – Receivable	5.34	-	-	19	168	491	-	678
Other assets	-	186	-	-	-	-	-	186
Total Assets		186	224	5 357	379	1 180	692	8 018

(vi)	<i>Interest Rate Risk Exposures (continued)</i>	Weighted Average Effective Interest Rate Percent	Non- Interest Bearing A\$million	Securities contracts to mature or reprice				2001 Total A\$million	
				On-Call A\$million	3 months or less A\$million	3 months to one year A\$million	1 to 5 years A\$million		5 years or more A\$million
	Liabilities:								
	Deposits and short-term borrowings	5.06	-	1 359	397	1	98	25	1 880
	Bonds, notes and debentures	7.56	-	34	65	461	2 527	1 110	4 197
	Obligations to Commonwealth Government	4.84	-	-	24	18	62	740	844
	Currency swaps - Payable	5.44	-	-	460	81	41	-	582
	Other liabilities	-	246	-	-	-	-	-	246
	Total Liabilities		246	1 393	946	561	2 728	1 875	7 749
	Off-Balance Sheet:								
	Interest rate swaps	0.04	-	-	1 170	(501)	(844)	175	-
	Assets:								
	Cash and short-term assets	6.18	-	429	1 008	906	-	-	2 343
	Investments	8.31	-	-	25	641	187	596	1 449
	Loans to SA Government	8.9	-	9	5 749	26	59	11	5 854
	Loans to semi-government authorities	7.58	-	230	159	89	383	566	1 427
	Loans to public sector financial institutions	6.40	-	32	665	16	66	63	842
	Currency swaps – Receivable	6.69	-	-	137	734	627	-	1 498
	Other assets	-	482	-	-	-	-	-	482
	Total Assets		482	700	7 743	2 412	1 322	1 236	13 895
	Liabilities:								
	Deposits and short-term borrowings	6.14	-	372	2 366	417	17	32	3 204
	Bonds, notes and debentures	8.99	-	-	420	2 784	2 429	1 988	7 621
	Obligations to Commonwealth Government	5.55	-	-	74	5	75	781	935
	Currency swaps - Payable	6.47	-	-	484	902	50	-	1 436
	Other liabilities	-	453	-	-	-	-	-	453
	Total Liabilities		453	372	3 344	4 108	2 571	2 801	13 649
	Off-Balance Sheet:								
	Interest rate swaps	0.01	-	-	(1 520)	1 196	951	(627)	-

Foreign Exchange Risk

The Economic Entity has a policy of avoiding foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

(i) Currency Swaps

A cross currency swap is a financial contract between two parties agreeing to exchange interest obligations in two different currencies over a fixed term on fixed dates. Interest amounts are calculated on currency principals which are usually exchanged at the start of the transaction.

The Economic Entity utilises cross currency swaps to eliminate foreign currency exposures associated with foreign currency borrowings.

(ii) Foreign Exchange and Forward Exchange Contracts

A foreign exchange contract is an agreement between two parties to buy and sell one currency against another currency either on a spot basis or a specified future date.

The Economic Entity utilises foreign exchange contracts (spot and forward) to manage foreign exchange risk associated with foreign currency borrowings and to manage exposures arising from the Foreign Exchange Hedging Service provided to South Australian Public Sector Agencies and to hedge profits from overseas subsidiaries.

The Economic Entity has entered into forward foreign exchange contracts to hedge exposures arising from the Foreign Exchange Hedging Service provided to public sector clients. These transactions totalled \$3 million in face value as at 30 June 2001.

(iii) Currency Exposures

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

(iii) Currency Exposures (continued)	USD	GBP	JPY	EUR	CAD
	A\$million	A\$million	A\$million	A\$million	A\$million
Less than one year:					
Net foreign currency assets	14.9	0.7	(133.3)	0.1	-
Currency Swaps	-	-	133.3	-	-
Net Forward Exchange Contracts	(7.5)	-	-	(0.1)	-
NET	7.4	0.7	-	-	-
Greater than one year:					
Net foreign currency assets	-	-	(329.7)	-	(113.4)
Currency Swaps	-	-	329.7	-	113.6
Net Forward Exchange Contracts	-	-	-	-	-
NET	-	-	-	-	0.2
TOTAL NET	7.4	0.7	-	-	0.2

Credit Risk

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

The Economic Entity incurs credit risk through undertaking its core functions of fundraising, debt management and liquidity management.

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

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

No credit losses were incurred by the Economic Entity over the reporting period.

The Economic Entity calculates credit risk for both recognised and unrecognised classes of financial assets.

The maximum credit risk for recognised assets excluding cross currency swaps represents the book value of the asset in the Economic Entity's financial statements. For unrecognised assets and cross currency swaps, the maximum credit risk represents the current market value. Credit risk amounts do not take into account netting or the right of set-off between instruments of similar or different classes unless there is a legal netting agreement in place.

An analysis of credit risk exposure by country, counterparty class, asset class and credit rating as at 30 June 2001 is detailed below.

Asset Class	2000-01 Rating								Total \$million
	AAA \$million	AA+ \$million	AA \$million	AA- \$million	A+ \$million	A \$million	A- \$million	NR \$million	
Loans/investments	1 325	53	44	439	60	137	49	6 728	8 835
Currency swaps	46	50	44	37	-	-	-	15	192
Interest rate swaps	2	5	86	81	-	3	-	41	218
FX contracts	-	-	-	-	-	-	-	-	-
Total	1 373	108	174	557	60	140	49	6 784	9 245

Asset Class	1999-2000 Rating								Total \$million
	AAA \$million	AA+ \$million	AA \$million	AA- \$million	A+ \$million	A \$million	A- \$million	NR \$million	
Loans/investments	1 691	195	205	1 936	151	133	41	8 919	13 271
Currency swaps	53	57	32	48	54	-	-	16	260
Interest rate swaps	31	11	124	206	-	10	-	51	433
FX contracts	-	-	-	-	-	-	-	1	1
Total	1 775	263	361	2 190	205	143	41	8 987	13 965

NR represents loans within the South Australian Government which are not classified under a particular rating.

23. Additional Financial Instrument Disclosures (continued)

Consolidation 2000-01

Counterparty

Class	Asset Class	Country								Total \$'million
		Australia *(AA+) \$'million	Canada (AA+) \$'million	France (AAA) \$'million	Germany (AAA) \$'million	Netherlands (AAA) \$'million	Switzerland (AAA) \$'million	United Kingdom (AAA) \$'million	United States (AAA) \$'million	
South Australian Government	Loans/Investments	6 708	-	-	-	-	-	-	-	6 708
	Currency swaps	14	-	-	-	-	-	-	-	14
	Interest rate swaps	38	-	-	-	-	-	-	-	38
	Sub Total	6 760	-	-	-	-	-	-	-	6 760
Commonwealth/ State Government	Loans/Investments	1 235	-	-	-	-	-	-	-	1 235
	Sub Total	1 235	-	-	-	-	-	-	-	1 235
Banks	Loans/Investments	349	126	35	60	-	-	45	69	684
	Currency swaps	55	-	-	-	-	94	-	-	149
	Interest rate swaps	51	3	-	6	7	35	72	4	178
	Sub Total	455	129	35	66	7	129	117	73	1 011
Corporate/Other	Loans/Investments	208	-	-	-	-	-	-	-	208
	Currency swaps	-	-	-	-	-	-	28	-	28
	Interest rate swaps	3	-	-	-	-	-	-	-	3
	Sub Total	211	-	-	-	-	-	28	-	239
TOTAL BY COUNTRY		8 661	129	35	66	7	129	145	73	9 245
Total by Asset Class	Loans/Investments	8 500	126	35	60	-	-	45	69	8 835
	Currency swaps	69	-	-	-	-	94	28	-	191
	Interest rate swaps	92	3	-	6	7	35	72	4	219
	TOTAL BY COUNTRY	8 661	129	35	66	7	129	145	73	9 245

SAFA's credit guidelines also permit SAFA to undertake credit exposure transactions with counter-parties from New Zealand, Norway Singapore and selected Supranationals. As at 30 June 2001, SAFA did not have any credit exposure to these countries or Supranationals.

* Standard and Poor's long term foreign currency credit rating.

23. Additional Financial Instrument Disclosures (continued)

Consolidation 1999-2000

Counterparty Class	Asset Class	Country									\$'million Total
		Australia *(AA+) \$'million	Canada (AA+) \$'million	France (AAA) \$'million	Germany (AAA) \$'million	Japan (AAA) \$'million	Netherlands (AAA) \$'million	Switzerland (AAA) \$'million	United Kingdom (AAA) \$'million	United States (AAA) \$'million	
South Australian Government	Loans/Investments	8 892	-	-	-	-	-	-	-	-	8 892
	Currency swaps	16	-	-	-	-	-	-	-	-	16
	Interest rate swaps	51	-	-	-	-	-	-	-	-	51
	FX contracts	1	-	-	-	-	-	-	-	-	1
	Sub Total	8 960	-	-	-	-	-	-	-	-	8 960
Commonwealth/ State Government	Loans/Investments	1 574	-	-	-	-	-	-	-	-	1 574
	Sub Total	1 574	-	-	-	-	-	-	-	-	1 574
Banks	Loans/Investments	1 382	55	-	78	-	70	-	643	147	2 375
	Currency swaps	63	3	-	4	54	4	77	-	4	209
	Interest rate swaps	113	4	5	13	-	3	37	162	36	373
	Sub Total	1 558	62	5	95	54	77	114	805	187	2 957
Corporate/Other	Loans/Investments	49	-	201	-	-	-	180	-	-	430
	Currency swaps	-	-	-	-	-	-	-	34	-	34
	Interest rate swaps	-	-	10	-	-	-	-	-	-	10
	Sub Total	49	-	211	-	-	-	180	34	-	474
TOTAL BY COUNTRY		12 141	62	216	95	54	77	294	839	187	13 965
Total by Asset Class	Loans/Investments	11 897	55	201	78	-	70	180	643	147	13 271
	Currency swaps	79	3	-	4	54	4	77	34	4	259
	Interest rate swaps	164	4	15	13	-	3	37	162	36	434
	FX contracts	1	-	-	-	-	-	-	-	-	1
	TOTAL BY COUNTRY	12 141	62	216	95	54	77	294	839	187	13 965

* Standard and Poor's long term foreign currency credit rating.

23. Additional Financial Instrument Disclosures (continued)**Liquidity Risk**

In order to manage liquidity risk, SAFA has in place liquidity management guidelines which require SAFA to hold a base level of liquidity comprising highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth notes, floating rate notes and negotiable discount securities. The level of financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of \$250 million or the sum of SAFA maturities over the next 30 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

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

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

24. Net Fair Value of Financial Instruments

An analysis of the net fair value of financial instruments is detailed below.

The Economic Entity has calculated net fair value by one of the following methods:

- market rate for financial instruments actively traded in financial markets. Such instruments include Futures Contracts, Commonwealth bonds and Semi-Government bonds.
- discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. In some cases a margin is applied to an observable curve to calculate the fair value of a particular financial instrument.

The resultant net fair values represent the Economic Entity's best estimate of replacement cost. It is considered that the costs of realising the fair values is immaterial. Furthermore, management considers that all classes of financial instruments, excluding financial futures and exchange traded interest rate options, cannot be readily traded on organised markets in a standardised form.

The figures below are the net fair value of transactions less their respective outstanding accruals.

	Consolidated			
	2001	2001	2000	2000
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
	\$'million	\$'million	\$'million	\$'million
Financial Assets:				
Cash and short-term assets	924	924	2 343	2 343
Investments	473	494	1 449	1 476
Loans to South Australian Government	3 756	3 933	5 854	6 063
Loans to Semi-Government authorities	1 163	1 170	1 427	1 485
Loans to public sector financial institutions	838	842	842	846
Currency swaps - Receivable	678	713	1 498	1 527
Other assets	186	182	482	464
Total	8 018	8 258	13 895	14 204
Financial Liabilities:				
Deposits and short-term borrowings	1 880	1 887	3 204	3 226
Bonds, notes and debentures	4 197	4 596	7 621	8 073
Obligation to Commonwealth Government	844	682	935	761
Currency swaps - Payable	582	585	1 436	1 439
Other liabilities	246	232	453	450
Total	7 749	7 982	13 649	13 949
Off-Balance Sheet Instruments:				
Interest rate swaps ⁽¹⁾	6 005	-	10 883	-
Forward rate agreements	790	-	2 497	1
Financial futures	852	1	1 555	1
Exchange traded interest rate options	-	-	-	-
Embedded options	620	-	613	-

(1) Interest Rate Swaps' Net Fair Value \$43.1 million loss is included in the net fair value for Bonds, Notes and Debentures.

25. Fiduciary Activities**South Australian Assets Management Corporation**

SAFA is responsible for the management and administration of the treasury portfolio of South Australian Asset Management Corporation (SAAMC) in accordance with a management agreement. SAAMC had treasury assets of \$1.4 billion and off balance sheet transactions with a notional value of \$3.7 billion as at 30 June 2001. SAAMC has also appointed a financial institution to manage US\$ assets totalling A\$840 million. SAFA maintains administrative responsibility for those assets with SAAMC maintaining overall management responsibility. SAFA recognised fee income of \$0.7 million during 2000-01 for its management of SAAMC's treasury portfolio.

Cash Management Fund

This is a pooled investment portfolio comprising cash and short term money market securities. The daily earnings from the portfolio's investments are applied to clients' investment balances less a margin. As at 30 June 2001, total funds invested by clients totalled \$356 million and the return on the fund for 2000-01 was 5.81 percent.

25. Fiduciary Activities (continued)**Cash Enhanced Fund**

This fund is a pooled investment portfolio comprising term investments of high credit quality and marketability. Investments are valued on a market value basis. SAFA charges a margin. Total market value of the fund as at 30 June 2001 was \$83.5 million and the market value return on the fund for 2000-01 was 6.33 percent.

26. Auditor's Remuneration

	SAFA	
	2001 \$'000	2000 \$'000
Remuneration paid to external audit	90	63
	<u>90</u>	<u>63</u>

27. Remuneration of SAFA Advisory Board Members

	SAFA	
	2001 Number of Members	2000 Number of Members
Remuneration:		
\$1 - \$10 000	-	1
\$10 001- \$20 000	-	-
\$20 001 - \$30 000	4	3
	<u>4</u>	<u>4</u>

The Advisory Board as at 30 June 2001 comprised four members: Mr J Wright (Presiding Member), Mr B Brownjohn, Mr M Doyle and Ms Y Sneddon. During 2000-01, Ms A Cleary's term as a member expired on 8 June 2001 and Ms S Filby resigned as a member as at 13 April 2001. The fees paid to Advisory Board Members are set by Executive Council in accordance with approved procedures. Those members who are permanently employed under the *Public Sector Management Act 1995* or on similar terms, are not entitled to fees. During 2000-01 only four members were entitled to receive the approved fee. The total remuneration payable to those members was \$107 680 (\$75 200).

28. Controlled Entities

	Place of Incorporation	Ownership Percent	Operating Profit After Tax \$'million	2001	
				Total Assets \$'million	Total Liabilities \$'million
South Australian Finance Trust Limited ⁽¹⁾	Aust	0	0	0	0
South Australian Finance (Hong Kong) Limited	HK	100	0	1	0
South Australian Finance Trust (Hong Kong)	HK	100	1	47	41
South Australian Finance Limited ⁽²⁾	UK	100	5	1	0
SABT Pty Limited ⁽³⁾	Aust	0	-	-	-
Palantir Pty Limited ⁽⁴⁾	Aust	100	-	-	-

- (1) South Australian Finance Trust Limited is included in the consolidated group as although it is not owned by SAFA it is controlled by SAFA. It is expected SAFTL will be wound up in 2001-02 following the wind up of SABT Pty Limited.
- (2) South Australian Finance Limited was placed into voluntary liquidation on 1 June 2001.
- (3) There has been no activity in SABT Pty Limited since November 1999 and it is expected that it will be wound up in 2001-02.
- (4) SAFA acquired the shares, \$2, in Palantir Pty Limited on 15 June 2000. Palantir Pty Ltd is of no value and was placed into voluntary liquidation as at 29 June 2001.
- (5) Zero represents balances less than \$500 000.

29. Related Party Transactions**South Australian Asset Management Corporation**

Related party transactions with the South Australian Asset Management Corporation are disclosed in Note 10 and Note 3 of the Statement of Financial Position. As at 30 June 2001, SAAMC had a deposit of \$33.2 million with SAFA. Interest expense on the deposit totalled \$2.9 million. SAFA also had a currency swap with face value \$42 million and an interest rate swap with notional face value \$41 million with SAAMC. During 2000-01, the net interest expense for the interest rate swap was \$4.6 million and that for the currency swap was \$0.2 million.

South Australian Finance Limited (SAFL)

During 2000-01, SAFA lent money to SAFL at market rates with interest payable annually. Total loans of GBP 12.1 million with interest of GBP 0.8 million were repaid on 18 December 2000. On 30 March 2001, SAFL made a dividend distribution to SAFA of GBP 6.8 million and repaid GBP 2.3 million of SAFA's capital investment on 29 June 2001.

South Australian Finance (Hong Kong) Limited (SAFHKL)

SAFA has entered into three currency swaps with SAFHKL which enable SAFHKL to match its interest rate and currency risk exposure on certain fixed debentures. The currency swaps transactions are at market rates. As at 30 June 2001, the three currency swaps totalled \$6.8 million with a net interest expense to SAFA of \$1.3 million. The three swaps mature before 15 June 2004.

South Australian Finance Trust Limited (SAFTL)

During 2000-01, SAFTL had at call deposit of \$3.6 million with SAFA for a short period. On 29 June 2001, SAFTL made a dividend distribution of \$1.1 million to SAFA as per a direction signed by the Treasurer of South Australia.

30. Segment Information

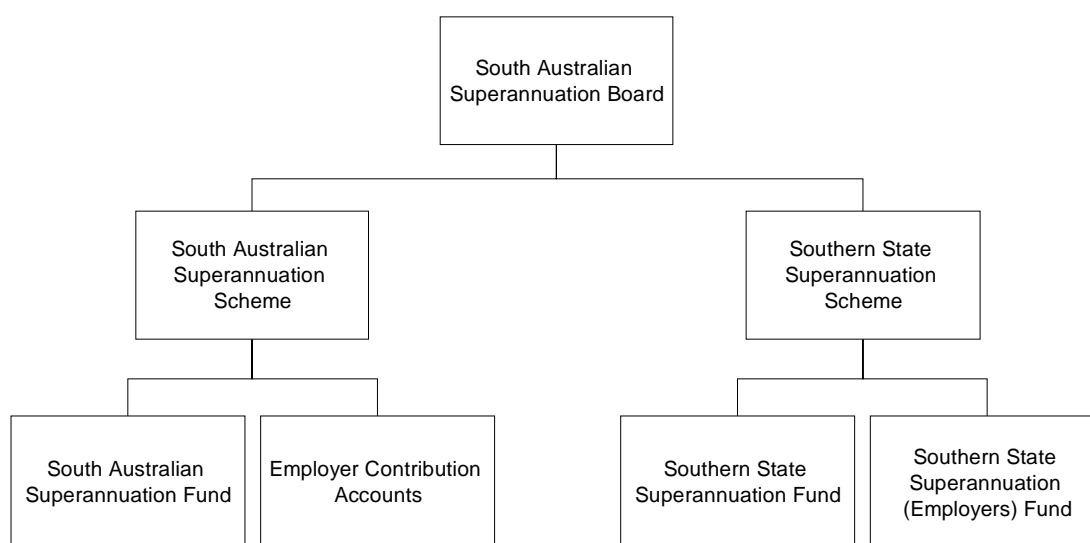
SAFA acts predominately in the finance industry and lends funds and provides financial advice to the South Australian Government, semi-government authorities, public sector financial institutions and government agencies.

SOUTH AUSTRALIAN SUPERANNUATION BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Superannuation Board (the Board) is a body corporate established pursuant to subsection 6(2) of the *Superannuation Act 1988* (the Act). Pursuant to subsection 8(1) of the Act, the Board consists of a presiding member appointed by the Governor, two members elected by the contributors and two members appointed by the Governor on the Minister's nomination.

The Board is responsible for the administration of two separate superannuation schemes:



The functions and responsibilities in relation to each scheme are established by separate Acts of Parliament as follows.

South Australian Superannuation Scheme

The *Superannuation Act 1988* (the Act) provides for the establishment of an employer sponsored voluntary superannuation scheme to provide superannuation benefits for persons employed by the Government of South Australia and other prescribed persons, and makes provisions for families of such persons. The Act does not apply to Members of Parliament, the judiciary or police officers who are provided for under separate legislation. Pursuant to subsection 7(1) of the Act, the Board is responsible to the Minister for all aspects of the administration of the Superannuation Act except the management and investment of the South Australian Superannuation Fund (the Fund).

The South Australian Superannuation Scheme has the following components:

- Old Scheme Division — This relates to the provision of pension based benefits;
- New Scheme Division — This relates to the provision of lump sum benefits.

In addition, Employer Contribution Accounts have been established to record the employer contributions towards their share of the emerging liability for benefit payments in relation to the Scheme.

The Superannuation Funds Management Corporation of South Australia, operating under the business name of Funds SA, a body corporate, has statutory responsibility for the investment and management of the Fund. This Fund comprises the contributions of employees and income derived from investment of those funds, less the Fund portion of benefits payable and administration expenses. Funds SA also invests and manages the employer contributions on behalf of the Board.

Both the Old Scheme and the New Scheme Divisions were closed to new membership in May 1986 and June 1994, respectively. Consequently, the South Australian Superannuation Scheme is now a 'closed' scheme, having been replaced by the Southern State Superannuation Scheme effective 1 July 1995 (refer hereunder for further details).

Southern State Superannuation Scheme

The *Southern State Superannuation Act 1994* (Triple S Act) originally established the Southern State Superannuation Scheme (Triple S Scheme) to provide an employer sponsored contributory superannuation scheme for persons employed in the public sector. The Triple S Scheme replaced the South Australian Superannuation Scheme as the Government sponsored scheme available to public sector employees. Police Officers who commenced employment from 1 July 1995 also became members of the Triple S Scheme.

The Triple S Scheme is both a contributory and non-contributory superannuation scheme as it provides employer benefits for public sector employees who were not actively contributing to an employer sponsored superannuation scheme, in order to satisfy the minimum level required under the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The Triple S Act charges the Board with responsibility for the maintenance of:

- accounts in the name of all members of the Triple S Scheme;
- proper accounts in respect of each financial year relating to the receipt of member contributions and payments to members.

The Southern State Superannuation Fund (Triple S Fund) is established pursuant to the Triple S Act. The Triple S Fund comprises the contributions of employees and rollovers from other superannuation funds or schemes to the Triple S Scheme and income derived from investments of those funds, less the Fund portion of benefits paid. Funds SA is responsible for the investment and management of the Triple S Fund.

The Triple S Act also establishes the Southern State Superannuation (Employers) Fund (Triple SE Fund), which comprises employer contributions and rollovers from other superannuation funds or schemes to the Triple S Scheme and income derived from investment of those funds less the Fund portion of benefits paid and administration expenses. The Triple SE Fund is also managed and invested by Funds SA.

Service Provision Arrangements

The Board utilises the services of the Department of Treasury and Finance - Superannuation Office (Super SA) in carrying out its functions. The Superannuation Office maintains individual member records, processes contributions and determines and processes benefit payments. The Board has a service level contract with the Department of Treasury and Finance for the provision of superannuation administration services. The contract includes performance standards for services, management reporting requirements and internal control requirements.

For further information in relation to the investment and management of superannuation monies reference should be made to comments under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

SOUTH AUSTRALIAN SUPERANNUATION SCHEME

SIGNIFICANT FEATURES

- The estimated liability for accrued benefits decreased by \$282 million to \$6.5 billion (\$6.8 billion) for which net assets of \$2.9 billion (\$3 billion) were available to pay benefits. The movement in the estimated liability for accrued benefits is principally a result of the adoption by the Department of Treasury and Finance of revised economic assumptions for the purpose of actuarial calculations relating to superannuation for the year ended 30 June 2001. A real earnings rate of 5 percent is now assumed (formerly 4 percent) and real salary growth of 1.5 percent is assumed (formerly 1 percent).
- Contribution revenue decreased by \$355 million to \$171 million, due principally to:
 - a decrease of \$227 million in contributions for past service liability as the Government did not transfer any monies into the 'South Australian Superannuation Scheme Contribution Account' during the year to meet liabilities in respect of the Scheme whereas \$227 million was deposited in the previous year.
 - a decrease of \$117 million in transfers from other schemes. This was due mainly to the transfer in the previous year of assets to the Scheme as a result of the SA Government taking over the liability in respect of ETSA pensioners and former ETSA employees who have preserved benefits.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 20AB(2) of the *Superannuation Act 1988* provides for the Auditor-General to audit, in respect of each financial year, the accounts kept by the Board of receipts and payments relating to the payment of benefits under the Act.

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:

- receipting and banking of employer and employee contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit did not include a review of the investment and management activities undertaken by Funds SA in respect of the assets of the Fund and Employer Contribution Accounts; these areas were reviewed in the course of the audit of Funds SA.

Audit Communications to Management

Issues arising from the audit of the Scheme will be the subject of a letter to be forwarded to the Presiding Member, South Australian Superannuation Board.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the specific auditable areas of coverage indicated that the general control environment was satisfactory.

CONTROLS OPINION

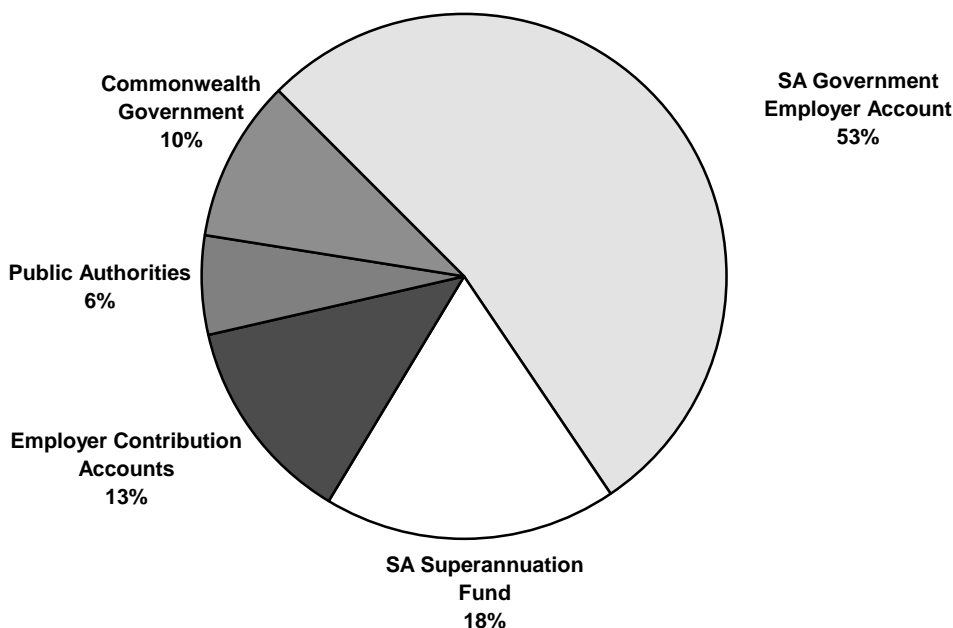
As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Superannuation Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the 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 Superannuation Scheme 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

Funding of Benefit Payments

Benefit payments are funded from a number of sources. Benefits paid by funding source are depicted in the following pie chart.



The Fund portion of a benefit is fully funded. Member contributions are deposited with Funds SA and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge; they may contribute fortnightly to Employer Contribution Accounts managed by Funds SA, in this way funding their accruing liability; or they may make cash contributions to the Treasurer, who in turn forwards these monies to Funds SA.

In addition, the Commonwealth Government meets an agreed portion of benefits payable where the employer portion relates to former State Government (railways) employees.

Note 1(d) to the Financial Statements provides details of the various funding arrangements.

Liability for Accrued Benefits

The estimated figure for accrued liabilities at 30 June 2001 was \$6.5 billion (\$6.8 billion) for which net assets of \$2.9 billion (\$3 billion) were available to pay benefits.

Although the estimated total liability for accrued benefits is \$6.5 billion, the South Australian Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts.

The following table shows the deficit or excess of net assets available to pay benefits over liabilities for accrued benefits.

	Net Assets \$'million	Liabilities \$'million	(Deficit) Excess \$'million
SA Superannuation Fund	1 570	1 383	187
SA Superannuation Scheme Employer Contribution Account:			
Employer Contribution Accounts	887	822	65
SA Government Employer Account	480	3 691	(3 211)
	1 367	4 513	(3 146)
Public Authorities	-	226	(226)
Commonwealth Government	-	382	(382)
	-	608	(608)
	2 937	6 504	(3 567)

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a Special Deposit Account established for that purpose, pursuant to the *Superannuation Act 1988*.

Following the Commission of Audit findings and recommendations (April 1994) in respect of superannuation, the Government indicated its intention to fully fund its superannuation liabilities over a 30 year period commencing in 1993-94. As part of the 1999-2000 budget strategy, the Government modified the funding program with the aim of having its liabilities fully funded by 2034.

Benefits Paid

Total benefits paid (including refunds to members) amounted to \$411 million (\$372 million), which included \$293 million (\$273 million) paid as pensions. Details of benefit payments are disclosed in Note 6 of the Financial Statements. The number of pensioners, and pensions paid for the past three years, was:

	2001	2000	1999
Pensioners	*14 280	*14 228	13 834
Pensions paid (\$'million)	293	273	275

* Includes ETSA members.

Contributions by Members

The number of contributors, and contributions received from members for the past three years, was:

	2001		2000	1999
	Old Scheme	New Scheme	Total	Total
Contributors (excludes preserved members)	6 659	8 955	15 614	18 244
Contributions received (\$'000)	20 592	24 294	44 886	46 155

Operating Statement for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INVESTMENT REVENUE:			
Net investment revenue		95 078	484 858
			<u>484 858</u>
CONTRIBUTION REVENUE:			
Contribution for past service liability	1(d)	1 622	228 895
Contributions by employers	19	117 755	128 446
Transfers from other schemes	21	6 591	123 434
Contributions by members		44 886	45 395
Refunds of overpaid contributions		(212)	(218)
			<u>525 952</u>
		170 642	525 952
OTHER REVENUE			
	18	68 067	64 432
ADMINISTRATION EXPENSE			
	4	(3 923)	(3 698)
GST EXPENSE			
	20	(99)	-
BENEFITS EXPENSE			
	7	(128 813)	(765 500)
			<u>(765 500)</u>
OPERATING RESULT FOR THE PERIOD		200 952	306 044

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
INVESTMENTS:			
Inflation linked securities	2 (b),9	386 535	348 072
Property		273 004	238 820
Adelaide Plaza		33 771	96 860
Australian equities		1 068 076	976 475
International equities		1 023 650	1 064 280
Fixed interest		147 066	150 871
Cash		15 781	45 835
			<u>45 835</u>
		2 947 883	2 921 213
FIXED ASSETS			
			51
			<u>58</u>
OTHER ASSETS:			
Cash and deposits at Treasury	11	11 101	110 910
Cash and deposits at Treasury - Funds SA		98	32
Contributions receivable	3	1 348	3 256
Interest, dividends and rent due - Funds SA		301	917
Prepaid expenses - Funds SA		37	56
ETSA transfer value		-	41
Other income receivable	17(a)	1 747	12 061
Sundry debtors	17(b)	1 183	893
			<u>128 166</u>
		15 815	128 166
Total Assets		2 963 749	3 049 437
CURRENT LIABILITIES:			
Rent paid in advance - Funds SA		851	811
Benefits payable	22	2 340	2 987
Sundry creditors and provisions	12	3 613	3 133
Provisions for PAYG tax payable	13	28	2 275
			<u>9 206</u>
		6 832	9 206
NON-CURRENT LIABILITIES:			
Loan and finance facilities			22 445
			<u>22 445</u>
Total Liabilities		27 011	31 651
NET ASSETS AVAILABLE TO PAY BENEFITS	5,16	2 936 738	3 017 786
Less: LIABILITY FOR ACCRUED BENEFITS	7	6 503 600	6 785 600
EXCESS OF LIABILITIES OVER NET ASSETS		(3 566 862)	(3 767 814)

Statement of Cash Flows for the year ended 30 June 2001

		2001	2000
	Note	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions received:			
Contributions for past service liability		1 622	228 895
Contributions by employers		119 516	129 821
Transfers from other schemes		7 203	121 481
Contributions by members		45 360	45 171
Refund of overpaid contributions		<u>(212)</u>	<u>(218)</u>
		173 489	525 150
Other income:			
Reimbursement from other sources:			
Commonwealth Government and Public Authorities		74 447	56 741
Temporary disability reimbursements		<u>352</u>	<u>462</u>
		74 799	57 203
Interest		<u>3 522</u>	<u>594</u>
		78 321	57 797
Benefits paid:			
Pensions	6	(292 614)	(272 723)
Commutation of pension benefits		(54 111)	(43 776)
Lump sums		(64 578)	(48 169)
Refunds to members		(213)	(4 445)
Provision for PAYG tax payable		<u>(2 247)</u>	<u>2 275</u>
		(413 763)	(366 838)
GST expense			
Administration expense	4	(3 923)	(3 195)
Payments/Receipts to/from Board debtors		(23)	(789)
Payments/Receipts to/from Board creditors		(78)	(12 562)
Repayments of prepaid contributions		-	(126 300)
Net Cash (used in) provided by Operating Activities	10	<u>(166 100)</u>	<u>73 263</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Superannuation Funds Management Corporation	2(a)	194 591	226 300
Payments to Superannuation Funds Management Corporation		<u>(128 300)</u>	<u>(431 295)</u>
Net Cash provided by (used in) Investing Activities		<u>66 291</u>	<u>(204 995)</u>
NET DECREASE IN CASH HELD		<u>(99 809)</u>	<u>(131 732)</u>
CASH AT 1 JULY		<u>110 910</u>	<u>242 642</u>
CASH AT 30 JUNE	11	<u>11 101</u>	<u>110 910</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(a) **South Australian Superannuation Scheme**

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the Government of South Australia and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australia Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia.

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the interest and accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) **South Australian Superannuation Board**

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted with the Under Treasurer to provide the administrative services.

(b) South Australian Superannuation Board (continued)

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by the Superannuation Funds Management Corporation of South Australia for each division of the Fund, and also the desirability of reducing undue fluctuations in the rate of return on contribution accounts. In considering these factors in the past the Board has applied crediting rates which were different from the actual earnings rates. For the Old Scheme Division, the Board distributes all investment earnings and there is no income equalisation reserve. For the New Scheme Division, the Board does have a reserving policy and the income equalisation reserve forms part of the net assets available to pay benefits of the new scheme.

(c) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the SA Superannuation Scheme Contribution Account, reference should be made to the financial statements of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA.

(d) Funding Arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account, (which is then appropriated to the necessary extent) or a Special Deposit Account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is set out in the Regulations of the Act. During the year ended 30 June 2001 payments were made from a Special Deposit Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the 'South Australian Superannuation Scheme Contribution Account' (the Account) established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangement with employers are:

(i) State Government Departments

State Government Departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2001 the Government did not transfer monies into the Account to meet liabilities in respect of the Scheme as \$227.3 million was deposited in the previous year. The Government will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

Where a payment relates to a temporary disability benefit, the Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement of the Account directly from the Government Department as the benefit is paid.

(ii) Statutory Authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- **State Government Liability for Statutory Authorities**
These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments, based on actuarial assessment, to the Treasurer. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).
- **Employer Contribution Accounts**
Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. The Treasurer deposits these monies in the Account into what are referred to as Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

During the year ended 30 June 1995 the South Australia Housing Trust commenced a 30 year program of funding its accrued superannuation liabilities. An amount of \$1.6 million (\$1.6 million – in the 2000 year) was received during 2000-01 representing accrued past service superannuation liabilities.

- *Public Authorities Accounts (Universities)*
Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

(iii) *Commonwealth Government*

The Commonwealth Government meets an agreed portion of benefits payable where the employer proportion of a payment relates to former State Government (railways) employees. The Commonwealth contribution is made pursuant to the Rail Transfer Agreement between the Commonwealth and State Governments. No balances are maintained in the Account for this purpose and the Treasurer seeks reimbursement directly from the Commonwealth Government as benefits are paid.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in these statements represents the amount available to meet these future benefits.

2. Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The Financial Statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

(b) *Basis of Valuations of Assets and Liabilities*

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(i) *Inflation Linked Securities*

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
These investments, the returns of which are linked to movements in either the Consumer Price Index (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2001 was performed by an independent valuer, Macquarie Bank Limited.
- *Externally Managed*
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) *Property*

The Property portfolio comprises four sub-sectors:

- *Directly Held Properties*
Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 of the Funds SA financial statements.
- *Directly Held Listed Property Trusts*
Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.
- *Externally Managed Listed Property Trusts*
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
- *Externally Managed Unlisted Property Vehicles*
Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

- (iii) **Australian Equities**
The Australian Equities portfolio comprises two sub-sectors:
- **Listed Australian Equities**
The listed Australian equities portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
 - **Private Equity**
The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by Directors of Funds SA, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.
- (iv) **International Equities**
The international equities portfolio comprises two sub-sectors:
- **Listed International Equities**
The listed international equities portfolio is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.
 - **Private Equity**
The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.
- (v) **Adelaide Plaza**
The Adelaide Plaza Fund comprises Funds SA's investment in the Funds SA Subsidiary Holding Corporation, a wholly owned subsidiary of Funds SA (refer Note 11 of the Funds SA financial statements). The Funds SA Subsidiary Holding Corporation's remaining investments at 30 June comprise the units in the Riverside Office Trust, the shares in Riverside Office Pty Ltd (the trustee company for the Riverside Office Trust) and cash. Funds SA's investment in the Adelaide Plaza Fund has been valued by the Directors of Funds SA having regard to the 30 June 2001 consolidated management accounts of the Funds SA Subsidiary Holding Corporation.
- (vi) **Australian Fixed Interest**
The Australian Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vii) **International Fixed Interest**
The International Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (viii) **Cash**
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.
- (ix) **Fixed Assets**
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of market value.
- (x) **Other Assets and Liabilities**
These items have been assessed and the Directors of Funds SA are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.
- (c) **Taxation**
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.
- (d) **Accounting for Leases**
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

3. Contributions Receivable

	2001	2000
	\$'000	\$'000
Contributions by members	340	814
Contributions by employers	1 008	2 442
	1 348	3 256

Contributions receivable have decreased in the 2000-01 year as Super SA has been actively following up agencies/statutory authorities to ensure the timely remittance of contributions.

4. Administration

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities of the Fund and the Account, and those costs incurred by the Board in administering the Scheme.

Administration costs incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

The administration cost met by the Scheme is as follows:

	2001			
	Old	New	Total	
	Scheme	Scheme		
	Division	Division	2001	2000
	\$'000	\$'000	\$'000	\$'000
Actual cost of administration	2 160	1 763	3 923	3 698
Administration cost charged to the Fund (30 percent)	647	529	1 176	1 110
Administration cost deducted from employer contributions – SA Water	4	-	4	-
Administration cost deducted from employer contributions	1 509	1 234	2 743	2 588

5. Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the South Australia Superannuation Fund and the SA Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund

	2001			
	Old	New	Total	
	Scheme	Scheme		
	Division	Division	2001	2000
	\$'000	\$'000	\$'000	\$'000
Funds held at 1 July	1 233 173	312 529	1 545 702	1 297 522
Add: Contributions	20 592	24 294	44 886	45 395
Transfers from other schemes	455	5 423	5 878	50 716
Refunds of overpaid contributions	(191)	(21)	(212)	(218)
Investment income ⁽ⁱ⁾	38 676	10 494	49 170	220 816
Other income	80	60	140	89
	59 612	40 250	99 862	316 798
Less: Net benefits paid ⁽ⁱⁱ⁾	61 839	12 969	74 808	67 380
Administration costs	647	529	1 176	1 238
	62 486	13 498	75 984	68 618
Funds held at 30 June	1 230 299	339 281	1 569 580	1 545 702

(i) Shown net of direct investment expenses.

(ii) Refer to Note 6.

(b) SA Superannuation Scheme Contribution Account

		2001	2000
		\$'000	\$'000
Funds held at 1 July		1 472 084	1 020 820
Add: Employer contributions:			
State Government Departments	82 637		89 748
Transfers from other schemes	713		72 717
Statutory Authorities ⁽ⁱ⁾	35 119		38 698
Contribution for past service liability ⁽ⁱ⁾	1 622		228 895
		120 091	430 058
Investment income ⁽ⁱⁱⁱ⁾		-	86 000
Investment income ⁽ⁱⁱⁱ⁾		45 908	178 042
Other income – Commonwealth and Public Authorities		64 091	63 272
Other income – Temporary disability		454	566
Other income – Bank account interest		3 382	505
		233 926	758 443
Less: Benefits paid: ^(iv)			
Old Scheme contributors	305 247		275 200
New Scheme contributors	30 759		29 519
GST expense	99		-
Administration expenses	2 747		2 460
		338 852	307 179
Funds held at 30 June		1 367 158	1 472 084
Total Net Assets		2 936 738	3 017 786

(i) Refer to Note 1(d).

(ii) The premium from the sale of the Casino complex by Funds SA provided \$86 million of the Government's scheduled contribution from the State Budget (Budget Statement page 2.2) in the 2000 year.

(iii) Shown net of direct investment expenses.

(iv) Refer to Note 6.

6. **Benefit Payments**

The SA Superannuation Scheme Contribution Account recovers monies from the relevant agencies for the total benefits paid on account of Public Authorities, Commonwealth Government and various agencies for Temporary Disability Pensions.

	Old Scheme Division \$'000	2001 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2000 New Scheme Division \$'000	Total \$'000
Pensions:						
Funded from:						
SA Superannuation Fund	48 229	96	48 325	43 043	92	43 135
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	30 338	444	30 782	20 197	451	20 648
Public authorities	20 415	10	20 425	19 946	1	19 947
Commonwealth Government	34 978	-	34 978	36 093	-	36 093
SA Government employer account	157 880	224	158 104	152 591	309	152 900
Gross Scheme Costs	291 840	774	292 614	271 870	853	272 723
Commutations:						
Funded from:						
SA Superannuation Fund	9 108	-	9 108	7 285	-	7 285
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	6 550	-	6 550	6 579	-	6 579
Public authorities	2 584	-	2 584	1 556	-	1 556
Commonwealth Government	5 387	-	5 387	4 875	-	4 875
SA Government employer account	30 482	-	30 482	23 481	-	23 481
Gross Scheme Costs	54 111	-	54 111	43 776	-	43 776
Lump Sums:						
Funded from:						
SA Superannuation Fund	975	11 075	12 050	828	11 420	12 248
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 038	10 192	11 230	2 663	9 378	12 041
Public authorities	125	100	225	-	568	568
SA Government employer account	2 351	14 802	17 153	1 767	17 221	18 988
Gross Scheme Costs	4 489	36 169	40 658	5 258	38 587	43 845
Retrenchments:						
Funded from:						
SA Superannuation Fund	86	169	255	-	213	213
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	223	125	348	-	385	385
Public authorities	232	341	573	116	107	223
SA Government employer account	-	13	13	-	-	-
Gross Scheme Costs	541	648	1 189	116	705	821
Targeted Separation Packages:						
Funded from:						
SA Superannuation Fund	3 442	1 414	4 856	54	-	54
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	2 167	1 820	3 987	2 206	678	2 884
SA Government employer account	10 496	2 689	13 185	3 130	422	3 552
Gross Scheme Costs	16 105	5 923	22 028	5 390	1 100	6 490
Refunds of Contributions:						
Contributions	-	161	161	1 378	781	2 159
Interest	-	52	52	1 784	502	2 286
Gross Scheme Costs	-	213	213	3 162	1 283	4 445
Funded from:						
SA Superannuation Fund	-	213	213	3 162	1 283	4 445
Total Benefit Payments	367 086	43 727	410 813	329 572	42 528	372 100

7. **Liability for Accrued Benefits**

The accrued liabilities of the Superannuation Scheme as determined by the State Superannuation Office of the Department of Treasury and Finance are shown below.

For the old scheme contributors and the employer funded, defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2001 based on membership data as at 30 June 2000.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2001.

7. Liability for Accrued Benefits (continued)

The expected future benefit payments have been determined using the 1998 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of five percent per annum above the CPI. The corresponding assumptions used last year were general salary increases of one percent per annum above CPI and a discount rate of four percent per annum above CPI.

	Old Scheme Division \$'000	2001 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2000 New Scheme Division \$'000	Total \$'000
Changes in the liability for accrued benefits:						
Liability for accrued benefits at 1 July	5 977 300	808 300	6 785 600	5 690 400	701 800	6 392 200
Add: Benefits expense ⁽ⁱ⁾	1 686	127 127	128 813	616 472	149 028	765 500
Less: Benefits paid ⁽ⁱⁱ⁾	367 086	43 727	410 813	329 572	42 528	372 100
Liability for Accrued Benefits at 30 June	5 611 900	891 700	6 503 600	5 977 300	808 300	6 785 600
Represented by:						
SA Superannuation Fund	1 041 600	340 600	1 382 200	1 046 200	313 400	1 359 600
SA Superannuation Scheme Employer Contribution Account:						
Employer contribution accounts	613 000	209 200	822 200	647 400	190 200	837 600
SA Government employer account	3 355 200	335 700	3 690 900	3 610 200	296 100	3 906 300
Public authorities	220 000	6 200	226 200	242 300	8 600	250 900
Commonwealth Government	382 100	-	382 100	431 200	-	431 200
Total	5 611 900	891 700	6 503 600	5 977 300	808 300	6 785 600

(i) Refer to Note 6.

(ii) This figure represents the change in liability for accrual benefits plus benefits paid for the year.

Although the total liability for accrued benefits shown above is \$6.5 billion, the SA Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts. For further details refer to Note 1(d).

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 1998 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 21 May 1999, to the Minister was tabled in Parliament on 28 September 1999. These reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation. There is no direct relationship between the liability figures determined by those two independent assessments. The next actuarial review is due as at 30 June 2001.

8. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

When contributors resign they have two options in the Pension Scheme and three options in the Lump Sum Scheme. Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, but with no employer money added. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement at the date of resignation and will be increased during preservation in line with increases in the CPI. Alternatively, Lump sum members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2001 based on membership data as at 30 June 2000.

	Old Scheme Division \$'000	2001 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2000 New Scheme Division \$'000	Total \$'000
SA Superannuation Fund						
SA Superannuation Scheme Employer Account:						
Employer contribution accounts	421 000	176 600	597 600	612 700	188 000	800 700
SA Government employer account	3 415 400	369 200	3 784 600	3 485 000	296 300	3 781 300
Public authorities	216 900	6 300	223 200	238 300	8 600	246 900
Commonwealth Government	382 200	-	382 200	431 100	-	431 100
Total	5 443 800	892 700	6 336 500	5 776 100	806 300	6 582 400

9.	Summary of Investment Holdings	2001			2000	
		Fund-Old Scheme Division \$'000	Fund-New Scheme Division \$'000	Scheme Contribution Accounts \$'000	Total \$'000	Total \$'000
	The interests of the Fund and the South Australian Superannuation Scheme Contribution Account in the unithised investment portfolio of Funds SA are as follows:					
	Inflation linked securities	164 061	45 558	176 916	386 535	348 072
	Property	115 874	32 177	124 953	273 004	238 820
	Adelaide Plaza	-	-	33 771	33 771	96 860
	Australian equities	453 335	125 885	488 856	1 068 076	976 475
	International equities	434 479	120 649	468 522	1 023 650	1 064 280
	Fixed interest	62 421	17 333	67 312	147 066	150 871
	Cash	6 698	1 860	7 223	15 781	45 835
	Total	1 236 868	343 462	1 367 553	2 947 883	2 921 213
10.	Reconciliation of Net Cash (used in) provided by Operating Activities to Operating Result				2001 \$'000	2000 \$'000
	Operating result				200 952	306 044
	Benefits expense				128 813	765 500
	Benefits paid				(410 813)	(372 100)
	Funds reinvested with Funds SA				(95 078)	(484 858)
	Increase (Decrease) in contributions repayable				764	-
	Decrease (Increase) in other income receivable				9 753	(8 443)
	Decrease (Increase) in Board debtors				490	(891)
	Decrease (Increase) in administration fees paid in advance				-	503
	(Decrease) Increase in prepaid employer contributions				-	(126 300)
	Decrease (Increase) in contributions receivable				1 908	1 151
	(Decrease) Increase in Board creditors				(2 930)	(7 302)
	Transfers from other funds				41	(41)
	Net Cash (used in) provided by Operating Activities				(166 100)	73 263
11.	Reconciliation of Cash					
	For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:					
	Cash and deposits at Treasury - SA Superannuation Fund - Old Division				4 211	167
	Cash and deposits at Treasury - SA Superannuation Fund - New Division				822	493
	Cash and deposits at Treasury - SA Superannuation Scheme Employer Account				6 068	110 250
	Cash and Deposits at Treasury				11 101	110 910
12.	Summary of Sundry Creditors and Provisions					
	Refund of Contributions to WorkCover				-	41
	Other				4	-
	SA Water overpaid contributions				764	-
	Consultancy fee payable				-	23
	Commonwealth reimbursement (ex ANR employees)				57	-
	Pension re banks to be repaid to members				8	25
	Funds SA sundry creditors				2 780	3 044
					3 613	3 133
	For the 2001 year, an estimated invoice was sent to the Commonwealth for the month of June 2001. As the invoice was an estimate, once the account was reconciled, the actual benefit payments were less than estimated and the account had been overpaid.					
13.	Provision for Tax Payable					
	The provision for tax payable represents taxation due on benefit payments made in June 2001 which has not been remitted to the Commissioner of Taxation as at 30 June 2001. This amount was forwarded to the Commissioner of Taxation early in the 2001-02 financial year.					
14.	Guaranteed Benefits					
	Contributors' benefit entitlements are specified by the <i>Superannuation Act 1988</i> .					
15.	Additional Financial Instrument Disclosures					
	The specific disclosure requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the Financial Statements of Funds SA and have not been repeated in this financial report.					
16.	Reconciliation of Net Assets available to Pay Benefits				2001 \$'000	2000 \$'000
	Opening net assets available to pay benefits				3 017 786	2 318 342
	Add: Benefits expense				128 813	765 500
	Less: Benefits paid				410 813	372 100
	Add: Operating result for the period				200 952	306 044
	Closing Value of Net Assets available to Pay Benefits				2 936 738	3 017 786

17. Summary of Other Income Receivable and Sundry Debtors	2001	2000
(a) Other income receivable:	\$'000	\$'000
Transfer of University 3 percent monies from Triple S Commonwealth (ex STA employees)	-	1 912
Public Authorities	12	8 149
	1 735	2 000
	1 747	12 061

For the 2001 year, an estimated invoice was sent to the Commonwealth for the month of June 2001. As the invoice was an estimate, once the account was reconciled, the actual benefit payments for ex STA employees were greater than estimated and the account had been underpaid. The amount will be recovered in the month of July 2001.

For the 2001 year invoices for the month of June were sent to the Public Authorities. As at 30 June 2001, monies outstanding were raised as accruals and are expected to be received in the 2001-2002 year.

(b) Sundry Debtors:	2001	2000
	\$'000	\$'000
Leave without pay invoices	507	69
Rollovers to be transferred from Triple S	-	571
Funds SA accruals	205	-
Temporary disability debtors	221	104
Refund from Taxation Office for GST (refer to Note 20)	24	-
Refund from Taxation Office for Group Tax	-	115
Refund of overpaid benefit payments	170	-
Other	56	34
	1 183	893

The number of temporary disability payments has increased in the 2001 year and this is reflected in the increase in the accrual reported.

18. Other Revenue	2001	2000
	\$'000	\$'000
Bank account interest	3 522	594
Commonwealth and public authorities debtors	64 076	63 272
Temporary disability debtors	469	566
	68 067	64 432

19. Refund of Overpaid Employer Contributions
A \$14.7 million payment to the Treasurer representing a refund of overpaid employer contributions was made during the 2001 financial year. This resulted from a reduction in old and new scheme employer contribution rates for the 2001 financial year. The funding and payment by agencies (SA Government Employer Account) was at the unadjusted rates.

20. Net GST Paid
As a result of the introduction of GST on 1 July 2000, an additional line has been inserted into the Operating Statement. This figure represents the GST paid on administration fees less any credits received from the Australian Taxation Office, as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the Tax Office for June 2001. This credit for \$24 000 has been disclosed as a debtor in the financial statements.

21. Transfers from Other Schemes
The value of transfers from other Schemes was higher in the 2000 year due to the receipt of monies for the ETSA Scheme. The value for the current year relates to a transfer from ETSA of \$723 000 and rollovers into the Scheme by members.

22. Benefits Payable	2001	2000
	\$'000	\$'000
Benefits payable by South Australian Superannuation Fund	700	896
Benefits payable by employers South Australian Superannuation Scheme Contribution Account	1 640	2 091
	2 340	2 987

Benefits payable relate to members who have terminated employment prior to 30 June but either have been paid after 30 June or remain unpaid.

SOUTHERN STATE SUPERANNUATION SCHEME

SIGNIFICANT FEATURES

- Contribution revenue increased by \$45 million to \$234 million.
- Investment revenue decreased by \$130 million to \$60 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 8 of the *Southern State Superannuation Act 1994* provides for the Auditor-General to audit the accounts and financial statements of the Southern State Superannuation Scheme 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:

- receipting and banking of employer and employee contributions
- processing of contributions data to the system
- completeness and accuracy of interest amounts credited to member accounts
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit did not include a review of the investment and management activities undertaken by Funds SA in respect of the assets of the Scheme; these areas were reviewed in the course of the audit of Funds SA.

Audit Communications to Management

Issues arising from the audit of the Scheme will be the subject of a letter to be forwarded to the Presiding Member, South Australian Superannuation Board.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the specific auditable areas of coverage indicated that the general control environment was satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Southern State Superannuation Scheme 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 Southern State Superannuation Scheme 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 Position

Total Assets

The total assets of the Scheme increased by \$225 million to \$1718 million. As the Scheme is still in its infancy (sixth full year of operation), contribution revenue significantly exceeds benefit payments made. Consequently it is reasonable to expect the asset base to increase by a significant amount as more funds become available for investment.

Operating Statement for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
INVESTMENT REVENUE:			
Net investment revenue		<u>60 189</u>	<u>190 370</u>
			<u>190 370</u>
CONTRIBUTION REVENUE:			
Contributions by members	1(a)	30 642	20 820
Contributions by employers	1(a)	175 190	147 948
Rollovers from other schemes		28 030	20 128
Refund of overpaid contributions		<u>(9)</u>	<u>(19)</u>
		233 853	188 877
INTEREST REVENUE		483	410
ADMINISTRATION EXPENSE	5	(4 419)	(4 151)
GST EXPENSE	16	<u>(110)</u>	-
BENEFITS ACCRUED AS A RESULT OF OPERATIONS	8	<u>289 996</u>	<u>375 506</u>

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
INVESTMENTS:			
Inflation linked securities	2(b)	154 649	136 800
Property		142 431	109 487
Australian equities		563 479	456 177
International equities		522 342	488 266
Fixed interest		314 548	267 257
Cash		<u>9 712</u>	<u>24 199</u>
		1 707 161	1 482 186
FIXED ASSETS			
		31	31
OTHER ASSETS:			
Cash and deposits at Treasury	11	8 433	7 214
Cash and deposits at Treasury - Funds SA		60	17
Contributions receivable	3	2 106	2 748
Interest, dividends and rent due - Funds SA		159	429
Sundry debtors	17	80	77
Prepaid expenses - Funds SA		<u>19</u>	<u>26</u>
		10 857	10 511
Total Assets		<u>1 718 049</u>	<u>1 492 728</u>
CURRENT LIABILITIES:			
Rent paid in advance - Funds SA		341	319
Benefits payable	18	2 284	133
Sundry creditors and provisions	19	1 569	3 686
Provision for PAYG tax payable	12	<u>22</u>	<u>65</u>
		4 216	4 203
NON-CURRENT LIABILITIES:			
Loan and finance facilities		10 541	10 290
Total Liabilities		<u>14 757</u>	<u>14 493</u>
NET ASSETS AVAILABLE TO PAY BENEFITS	4,15	<u>1 703 292</u>	<u>1 478 235</u>
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to members' accounts	8	1 654 039	1 435 786
		<u>1 654 039</u>	<u>1 435 786</u>
RESERVES:			
Administration and investment reserve	7	1 561	1 222
Death, invalidity and income protection insurance reserve	6	<u>47 692</u>	<u>41 227</u>
		1 703 292	1 478 235

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:			
Contributions received:			
Contributions by members		30 689	20 774
Refund of overpaid contributions		(9)	(19)
Contributions by employers		175 791	149 649
Rollovers from other schemes		27 456	20 128
			233 927
Other income received			483
Benefits paid:			
Retirement		(18 305)	(14 009)
Resignation		(36 784)	(32 244)
Retrenchment		(39)	(330)
Invalidity - Balance of account		(3 451)	(1 397)
Invalidity - Future service benefit	6	(1 136)	(997)
Death - Balance of account		(1 663)	(1 545)
Death - Future service benefit	6	(1 411)	(1 378)
Provision for PAYG tax payable		(43)	35
			(62 832)
Receipts/payments to/from sundry debtors/creditors			(1 827)
Administration expense	5		(4 419)
GST expense	16		(138)
Net Cash provided by Operating Activities	10		165 194
			136 536
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Superannuation Funds Management Corporation	2(a)		-
Payments to Superannuation Funds Management Corporation			(163 975)
Net Cash used in Investing Activities			(163 975)
NET INCREASE IN CASH HELD			1 219
CASH AT 1 JULY			7 214
CASH AT 30 JUNE	11		8 433

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(a) **Southern State Superannuation Scheme**

The Southern State Superannuation Scheme (the Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 1994* (the Act). The Scheme, commonly referred to as the Triple S Scheme, commenced from 1 July 1995 for contributory members only. Effective 1 July 1998, the *Southern State Superannuation (Merger of Schemes) Amendment Act 1998* merged the schemes established under the *Southern State Superannuation Act 1994* and the *Superannuation (Benefit Scheme) Act 1992*. At that time, all members of the State Superannuation Benefit Scheme were effectively transferred into the Southern State Superannuation Scheme and the State Superannuation Benefit Scheme ceased to exist.

Members can elect to make contributions to the Southern State Superannuation Scheme based on a percentage of their salary ranging from 1 percent to 10 percent, under section 25 of the Act. A member of the police force must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member contributions are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) which is managed and invested by Funds SA.

An employer is required to pay contributions to the Treasurer under section 26 of the Act. The employer contributes 8 percent (7 percent in 1999-2000) of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 9 percent. A separate employer contribution account is maintained for each member. Employer contributions are deposited by the Treasurer into the Southern State Superannuation (Employers) Fund (the Employers Fund) which is managed and invested by Funds SA.

Benefits, represented by the balances of member accounts, are available for employees who retire, resign, are retrenched or die and for those who terminate their employment because of invalidity. In addition, the Scheme provides a minimum insurance component for invalidity and death benefits (called a basic future service benefit), a disability pension and a supplementary future service benefit at the election of the member. The balance of individual member entitlements will be provided on annual statements forwarded to each member.

(b) **South Australian Superannuation Board**

The purpose of this statement is to discharge the responsibilities of the South Australian Superannuation Board (the Board) under section 13 of the Act to keep accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund and the Employers Fund. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board determines a rate of return to be credited to member accounts pursuant to section 11 of the Act. In determining the rate the Board should consider the net rate of return achieved by the investment of the Fund.

(b) South Australian Superannuation Board (continued)

Pursuant to sections 7A and 11, where a member or members have nominated a class of investments, or combination of classes of investments, the Board determines a rate of return on the investments of their class, or combination of classes.

The Board is required under sections 7A and 27, respectively, to credit interest earnings to member accounts and employer contribution accounts based on the earnings of the fund. Since the introduction of investment choice, the amount of interest credited is determined by the change in unit price.

(c) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA. The Treasurer had directed that the Southern State Superannuation (Employers) Fund also be managed and invested by Funds SA.

For further information on investment activities, reference should be made to the financial statements of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA.

(d) Funding Arrangements

The Act requires that member contributions and rollovers from other schemes be paid to the Treasurer, who in turn deposits these amounts into the Southern State Superannuation Fund (the Fund).

Under section 12 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the year ended 30 June 2001 payments were made from a Special Deposit Account.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are general purpose statements and have been prepared on an accruals basis in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. For information regarding the manner in which Funds SA operates its investment portfolio and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- **Internally Managed**
These investments, the returns of which are linked to movements in either the Consumer Price Index (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2001 was performed by an independent valuer, Macquarie Bank Limited.
- **Externally Managed**
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) Property

The Property portfolio comprises four sub-sectors:

- **Directly Held Properties**
Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 to the financial statements of Funds SA.
- **Directly Held Listed Property Trusts**
Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.
- **Externally Managed Listed Property Trusts**
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
- **Externally Managed Unlisted Property Vehicles**
Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

- (iii) **Australian Equities**
The Australian Equities portfolio comprises two sub-sectors:
- **Listed Australian Equities**
The listed Australian equities portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
 - **Private Equity**
The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by Directors of Funds SA, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.
- (iv) **International Equities**
The International Equities portfolio comprises two sub-sectors:
- Listed International Equities**
The international equities portfolio is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.
- Private Equity**
The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.
- (v) **Australian Fixed Interest**
The Australian Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vi) **International Fixed Interest**
The International Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vii) **Cash**
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.
- (viii) **Fixed Assets**
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of market value.
- (ix) **Other Assets and Liabilities**
These items have been assessed and the Directors of Funds SA are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.
- (c) **Taxation**
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.
- (d) **Accounting for Leases**
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.
- (e) **Operation of Investment Portfolio**
Funds SA operates a pooled investment portfolio utilising a number of sector funds, each of which holds assets of a different category. The sector funds are:
- Inflation Linked Securities
 - Property
 - Australian Equities
 - International Equities
 - Australian Fixed Interest
 - International Fixed Interest
 - Cash

Funds SA also operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds.

(e) Operation of Investment Portfolio (continued)

From 1 July 1999, Funds SA implemented a range of investment strategies (or 'products') to cater for the introduction of member investment choice offered to members of the Southern State Superannuation Scheme. Funds SA therefore manages five separate investment products distinguished by differing strategic asset allocations. The products are:

- Growth
- Balanced
- Conservative
- Cash
- Defined Benefit

The first four products are available to members of the Southern State Superannuation Scheme whereas the fifth product, Defined Benefit, is applied to the remainder of the public sector superannuation funds managed by Funds SA. Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment products.

Each public sector superannuation fund holds units in a product, which in turn holds units in each of the sector funds according to the target strategic asset allocation for the investment product. Units are issued and redeemed monthly at unit prices determined by the net market value of underlying investments. For the 2001 year, unit prices were used on a monthly basis until December. From January 2001, unit prices were issued on a mid-month and month-end basis (2 000 - monthly)

3. Contributions Receivable	2001	2000
	\$'000	\$'000
Contributions from members	261	303
Contributions from employers	1 845	2 445
	2 106	2 748

The value of contributions receivable has decreased in comparison to 2000 as Super SA has been actively following up late paying agencies.

4. Net Assets Available to Pay Benefits**(a) Southern State Superannuation Fund**

Funds held at 1 July	95 540	56 521
Add: Contributions by members	30 642	20 820
Rollovers from other schemes	28 030	17 336
Investment income ⁽ⁱ⁾	4 621	11 043
Other income	23	41
	63 316	49 240
Less: Benefits paid	11 435	10 211
Refund of overpaid contributions	9	10
	11 444	10 221
Funds Held at 30 June	147 412	95 540

(b) Southern State Superannuation (Employers) Fund

Funds held at 1 July	1 382 695	1 098 240
Add: Employer contributions	175 190	147 948
Investment income ⁽ⁱ⁾	55 568	179 327
Rollovers from other schemes	-	2 792
Other income	460	369
	231 218	330 436
Less: Benefits paid	53 504	41 821
Refund of overpaid contributions	-	9
Administration costs	4 419	4 151
GST Expense	110	-
	58 033	45 981
Funds Held at 30 June	1 555 880	1 382 695
Total Net Assets	1 703 292	1 478 235

(i) Shown net of direct investment expense.

5. Administration

Section 27 of the Act provides for an administrative charge to be debited each year to members' employer contribution accounts and section 9 of the Act requires the amount to be paid from the Southern State Superannuation (Employers) Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is prescribed by regulation. As at 30 June 2001 the charge is the lesser of \$50 per member for an active member or \$40 per member for non-active members. The charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to active/non-active members, or the amount of interest credited to the member's Employer Account with a minimum of \$10. This charge will be included on member annual statements. As at 30 June 2001 the estimated amount to be charged to members' employer contribution accounts is \$5.0 million (\$3.6 million).

Administration costs incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2001, based on actual costs of administering the Scheme, amounted to \$4.4 million (\$4.6 million).

6. Death, Invalidation and Income Protection Insurance Reserve

The Scheme provides an insurance benefit, with a few exceptions, in the event of invalidity before age 55, or death before age 60. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of becoming ill or temporarily disabled before age 55. A basic level of invalidity and death insurance, with a few exceptions, is provided to all members of the Scheme. Basic Insurance is calculated as 5 percent times final average salary over the past three years, times remaining years and months to age 60. The cost of Basic Insurance is 0.3 percent of salary, and is deducted from the employer contribution. Supplementary (Additional) Insurance is also available to members of the Scheme, with a few exceptions. Additional Insurance may be limited by any pre-existing health condition or related consequence. Additional Insurance is calculated as a percentage times final average salary over the past three financial years, times remaining years and months to age 60. The available percentages are 2.5 percent, 5 percent, 7.5 percent, 10 percent, 12.5 percent. The cost of Additional Insurance ranges between 0.1 percent and 0.5 percent of salary depending upon the percentage of Additional Insurance selected by a member. The cost of Additional Insurance is deducted from the employer contribution.

In the event of invalidity, the Basic and Additional insurance is paid to the member. In the event of death, the Basic and Additional insurance is paid to the member's spouse, otherwise to the member's estate.

To be eligible for the Income Protection Insurance benefit, a member must be contributing from post-tax salary or have an employer contribution that is greater than the minimum Superannuation Guarantee for at least a year. The Income Protection Insurance benefit is 2/3 of salary, and is payable for up to 18 months. The cost of Income Protection Insurance is 0.2 percent of salary, and is deducted from the employer contribution.

Total insurance benefits of \$2.5 million (\$2.4 million) were paid to members as a result of death or invalidity during the year ended 30 June 2001. No disability pension payments were made.

	2001 \$'000	2000 \$'000
Opening balance of the Death, Invalidation and Income Protection Insurance Reserve	41 227	32 978
Add: Investment earnings on reserve	790	2 877
Contributions	8 222	7 747
	<u>9 012</u>	<u>10 624</u>
Less: Benefit Payments		
Invalidity basic	981	932
Invalidity supplementary	155	65
Death basic	1 115	1 236
Death supplementary	296	142
	<u>2 547</u>	<u>2 375</u>
Transfers to the Death, Invalidation and Income Protection Insurance Reserve	6 465	8 249
Closing Balance of Reserve	<u><u>47 692</u></u>	<u><u>41 227</u></u>

Section 13A of the Act provides that an actuarial report on the cost of basic and supplementary insurance benefits, as at 30 June 2001, be obtained within 12 months of that date. The report must also report on the cost of the basic and supplementary insurance benefits for the foreseeable future.

7. Administration and Investment Reserve

The Reserves amounts represent assets of the fund which are not yet allocated to member accounts and to which members are presently not entitled. The following table reflects the total movements of the Reserves for the year ended 30 June 2001.

	Administration Cost Reserve ⁽ⁱ⁾ \$'000	Investment Reserve ⁽ⁱⁱ⁾ \$'000	Total	
	\$'000	\$'000	2001 \$'000	2000 \$'000
Balance as at 1 July	61	1 161	1 222	2 811
Transfers to Reserves	592	-	592	-
Transfers out of Reserves	(171)	(82)	(253)	(1 589)
Balance as at 30 June	<u><u>482</u></u>	<u><u>1 079</u></u>	<u><u>1 561</u></u>	<u><u>1 222</u></u>

- (i) Section 27 of the Act requires an administrative charge to be deducted from the member accounts. These monies are credited to the Administration Cost Reserve. At the end of the financial year the actual cost incurred in administering the scheme is debited to the Administration Cost Reserve. Further information is included in Note 5 to the financial statements. The amount of \$592 000 which is a transfer to reserves is based on an estimated administration recovery of \$5 million. This amount will not be finalised until the annual review of the Scheme has been completed in September/October 2001.
- (ii) Prior to the merger of the Southern State Superannuation Scheme and the State Superannuation Benefit Scheme (refer Note 1(a)) the interest that was credited to member accounts was the average of the 10 year bond rates declared by the South Australian Government Financing Authority on the first day of each month. This differed from the amount earned by Funds SA and the balance of the investment earnings was credited to the investment reserve.

8. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts.

	2001 \$'000	2000 \$'000
Liability for accrued benefits at 1 July	1 435 786	1 151 950
Add: Increase in accrued benefits	289 996	375 506
Less: Benefits paid	64 939	52 032
Transfers to reserves	6 804	39 638
Liability for Accrued Benefits at 30 June	<u><u>1 654 039</u></u>	<u><u>1 435 786</u></u>

9. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the plan. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2001 \$'000	2000 \$'000
Vested Benefits	1 654 039	1 435 786

The figure reported has been determined prior to the final allocation of investment earnings to members accounts. Formal allocation of earnings to members accounts may result in an immaterial difference (due to rounding) and will be carried forward to the next financial year as an unallocated value.

10. Reconciliation of Net Cash provided by Operating Activities to Benefits Accrued from Operations

	2001 \$'000	2000 \$'000
Benefits accrued as a result of operations	289 996	375 506
Benefits paid	(64 939)	(51 900)
Decrease (Increase) in contributions receivable	647	1 655
(Decrease) Increase in rollovers payable to other schemes	(571)	-
(Increase) Decrease in rollovers receivable from other schemes	(3)	-
Funds reinvested with Funds SA	(60 189)	(190 370)
Increase (Decrease) in Board creditors	215	2 418
Decrease (Increase) in Board debtors	38	-
(Decrease) Increase in administration fees payable	-	(773)
Net Cash provided by Operating Activities	165 194	136 536

11. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

Cash and deposits at Treasury	8 433	7 214
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12. Provision for Tax Payable

The provision for tax payable represents tax due on benefit payments made in June 2001 which had not been remitted to the Commissioner of Taxation as at 30 June 2001. This amount was forwarded to the Commissioner of Taxation in July 2001.

13. Guaranteed Benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 1994*.

14. Additional Financial Instrument Disclosures

The specific disclosure requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the financial statements of Funds SA and have not been repeated in this financial report.

15. Reconciliation of Net Assets Available to Pay Benefits

	2001 \$'000	2000 \$'000
Opening value	1 478 235	1 154 761
Add: Benefits accrued as a result of operations	289 996	375 506
Less: Benefits paid	64 939	52 032
Closing Value	1 703 292	1 478 235

16. Net GST Paid

As a result of the introduction of the GST on 1 July 2000, an additional line has been inserted into the Operating Statement. This figure represents the GST paid on administration fees less any credits received from the Australian Taxation Office as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the Tax Office for June 2001. The credit for \$28 000 has been disclosed as a debtor in the financial statements.

17. Summary of Sundry Debtors

	2001 \$'000	2000 \$'000
Rollover monies to be transferred to Triple S	3	54
Temporary disability pension benefit to be transferred to Triple S	7	-
Refund from Taxation Office for GST (refer to Note 16)	28	-
Funds SA sundry debtors	41	-
Other	1	23
	80	77

For the 2000 year, rollovers accepted as at 30 June were receipted to a suspense account until further documentation was received from the rollover institution. The sundry debtors from the 2000 year were actively followed up and monies received.

18. Benefits Payable

Benefits payable by Southern State Superannuation Fund	685	13
Benefits payable by Southern State Superannuation (Employers) Fund	1 599	120
	2 284	133

19. Summary of Sundry Creditors and Provisions

	2001	2000
	\$'000	\$'000
Rollovers to be transferred from Triple S	-	571
Other	20	1
Transfer of University 3 percent monies from Triple S	-	1 912
Funds SA sundry creditors	1 549	1 202
	1 569	3 686

For the 2000 year, rollovers were inadvertently banked into the Scheme. In July 2001 payment was made to the South Australian Superannuation Scheme.

SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Superannuation Funds Management Corporation of South Australia (operating under the business name Funds SA) is a statutory authority established pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). The Act provides for a Board of Directors consisting of at least five but no more than seven members, to be established as the governing body of Funds SA. The Board of Directors consisted of seven members at 30 June 2001.

Functions and Powers

The functions of Funds SA, as detailed in section 5 of the Act are:

- to invest and manage the public sector superannuation funds pursuant to strategies formulated by Funds SA;
- such other functions as are assigned to Funds SA by this Act or any other Act.

Section 7 of the Act further provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the public sector superannuation funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level;
- the need for liquidity in the funds;
- such other matters as are prescribed by regulation.

Funds SA has, by virtue of the Act, broad powers in relation to the investment of public sector superannuation funds. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the Act impose restrictions on the investment of public sector superannuation funds as follows:

- Funds SA must not invest the public sector superannuation funds in property outside Australia or in real property outside the State, unless the Minister has authorised the investment specifically or by reference to the class of investment to which it belongs.
- Funds SA must not enter into derivative transactions (eg futures contracts, forward contracts, swaps etc), unless the contract or dealing has been authorised by the Minister specifically or by reference to the class of contracts or dealings to which it belongs.

Audit Committee

The Act specifically requires Funds SA to establish an Audit Committee. The Committee comprises four Board members operating within the framework of an Audit Committee Charter.

Public Sector Superannuation Funds

The various public sector superannuation funds, as defined under the Act, and managed and invested by Funds SA, are identified in Note 1 to the financial statements.

Administrative Arrangements

Funds SA is, however, not responsible for the administration of any of the public sector superannuation funds. The South Australian Superannuation Board is responsible for all aspects of the administration (ie contributions and benefits) of the South Australian Superannuation Fund, Southern State Superannuation Fund and the associated Employer Contribution Accounts.

The Police Superannuation Board is responsible for all aspects of the administration of the Police Superannuation Fund and the associated Employer Contribution Account.

The Department of Treasury and Finance is responsible for the administration of the Governors' Pension Scheme, the Judges' Pension Scheme and the Parliamentary Superannuation Scheme.

Additional information relevant to the characteristics and the administration of the superannuation schemes may be obtained by reference to the financial statements of the various schemes which are included elsewhere in Part B of this Report.

ORGANISATIONAL STRUCTURE

Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external fund management and consulting expertise. Fund managers are utilised in relation to all investment types, and there is a single custodian (who is responsible for the integrity and holding of the assets) for the majority of those fund managers. Each fund manager is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements. The custodian is also appointed pursuant to a similar agreement. During the year the custodian, The Chase Manhattan Bank, merged with JP Morgan. The merged entity is called JP Morgan.

Funds SA also has a subsidiary holding corporation established by regulation under the *Public Corporations Act 1993* and a number of controlled entities (fully owned). Refer Note 18 to the financial statements for details.

SIGNIFICANT FEATURES

- Funds under management increased by \$261 million to \$5258 million.
- Investment income totalled \$178 million compared to \$781 million in the previous year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, provides for the Auditor-General to audit the accounts and financial statements of Funds SA and the public sector superannuation funds.

In addition, clause 13(3) of the Schedule to the *Public Corporations Act 1993*, provides for the Auditor-General to audit the accounts and financial statements of Funds SA Subsidiary Holding Corporation.

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:

- investment policy and strategy
- investments (purchases and sales, valuation and income)
- management reporting and monitoring
- administration expenses.

The audits of the controlled entities of Funds SA Subsidiary Holding Corporation for the period ending 30 June 2001 were carried out by private accounting firms.

Audit Communications to Management

Upon finalisation of the audit of the Corporation's financial statements, a management letter conveying the scope and results of the audit was forwarded to the Chairperson. Audit representatives also attended Audit Committee meetings throughout the year.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit of Funds SA indicated that the internal controls over its operations, including its accounting and investment functions were satisfactory. No issues of concern were raised as a result of the audit.

Commentary on Computer Information Systems (CIS) Environment

The CIS environment comprises network based personal computers. The general control environment over the CIS operations was considered satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Funds SA 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 Funds SA 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

Financial Statements

The accounting policies adopted in preparing the general purpose financial statements are explained in Note 2(a) to the financial statements. In particular, assets and liabilities are recorded at net market values as at the balance date.

Statement of Changes in Net Assets

The net assets of Funds SA (funds under management) increased by \$261 million to \$5258 million. Of this increase net funds made available for investment contributed \$86 million while income from investments provided \$178 million.

Net Funds made available for Investment

Net funds made available for investment consists of the net of receipts and payments, from and to the client superannuation funds. Net funds made available for investment decreased by \$230.6 million to \$85.6 million. This was due principally to the fact that no funds were made available by the Treasurer in respect of accruing employers superannuation liabilities in relation to the South Australian Superannuation Scheme whereas \$227.3 million was provided in the previous year.

Income from Investments

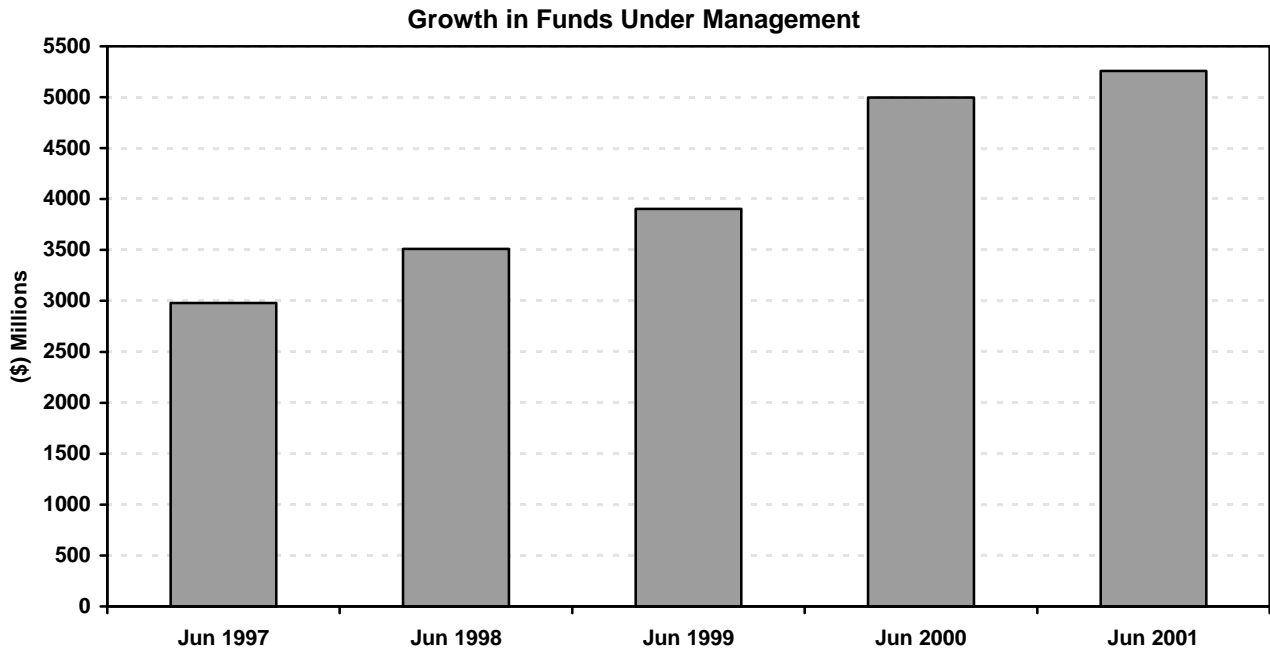
Income from investments totalled \$178.2 million compared to \$781.1 million in the previous year. The main factors impacting on income were:

- a decrease of \$55.1 million in income from Australian equities due principally to decreases in unrealised and realised gains of \$24 million and \$50.1 million, respectively, offset by an increase in dividends of \$17.4 million.
- a decrease of \$460.5 million in income from international equities due principally to an unrealised loss of \$62.2 million compared with an unrealised gain of \$286.4 million in the previous year together with a decrease of \$77.7 million in realised gains and an increase in realised expense of \$38.3 million in relation to the currency hedge strategy.

- a decrease in income from the Adelaide Plaza Fund of \$97 million due principally to a decrease in realised gains of \$90.1 million. In the previous year realised gains of \$92.8 million resulted from the sale of the FSASER Hotel Pty Ltd and Adelaide Casino Pty Ltd.

Funds Under Management

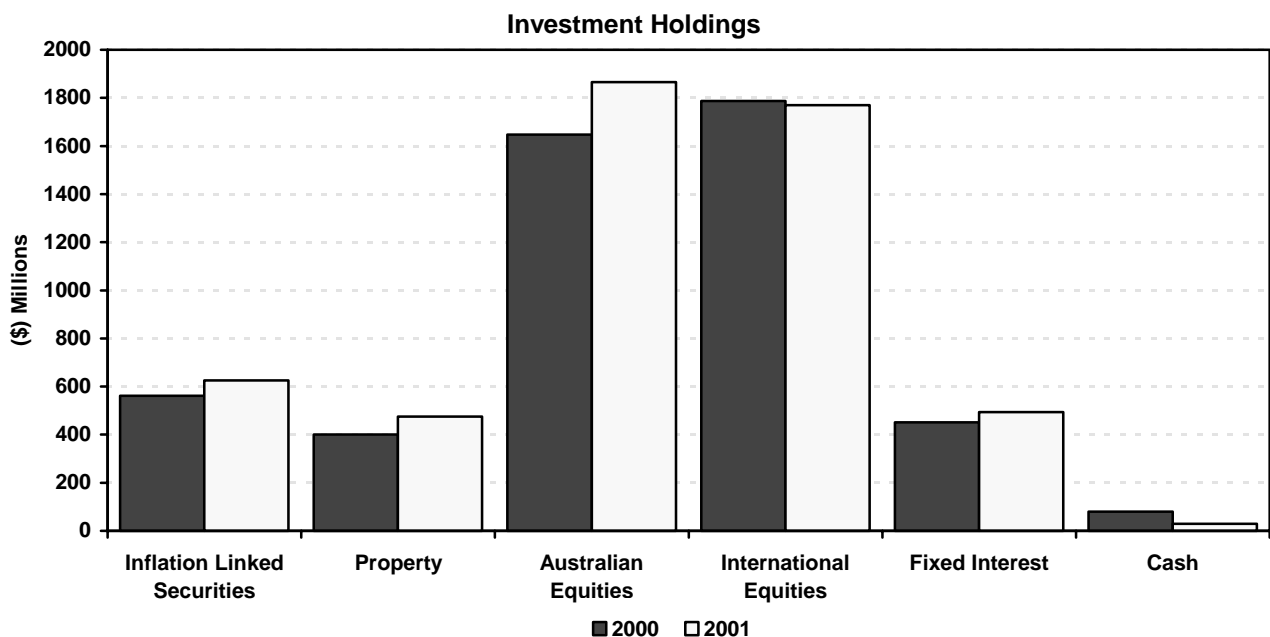
As a result of the decision by the Government to move to full funding of the public sector superannuation liability, the introduction of new superannuation products and as a result of investment earnings, Funds SA has experienced rapid growth in total funds under management in recent years as illustrated in the following chart.



Investment Policy/Strategy

Investment Classes

Funds SA is an investment organisation with broad powers and as indicated \$5.3 billion of funds under management. These funds are represented predominantly by six investment classes and the level of holdings for each of these investments at 30 June 2000 and 30 June 2001 is illustrated in the following chart.



Asset Allocation and Risk

The decision as to how the funds will be invested is established through an investment policy. Underpinning the investment policy and decision making process is an understanding of the risks facing Funds SA. It should be noted that in the investment market at large and some specific financial risks implicit to its operations include:

- *Share Market Risk* — The impact on earnings of movements in share prices of investments. This is particularly relevant for Funds SA's holdings of Australian equities and International equities.
- *Interest Rate Risk* — The sensitivity of earnings to future movements in interest rates. This is particularly relevant to Funds SA's holdings of inflation-linked and fixed-interest securities.
- *Concentration Risk* — The risk of an over-exposure in the weighting ascribed to an individual investment or asset class.
- *Currency Exposure* — The impact that movements in currencies have on the value of, and earnings on, overseas investments. This is particularly relevant for Funds SA's holdings of International equities.

Member Investment Choice

Members of the Triple S Scheme are provided with investment choice to enable them to tailor the investment strategy more directly towards their individual risk/return preferences and financial circumstances.

Four investment products (ie strategies) have been designed for Triple S Scheme member investment choice (balanced, growth, conservative and cash) and also one for the defined benefit schemes. (Refer to Note 3 to the Financial Statements.) The objectives of these products is shown hereunder with respect to:

- the real return objective, ie the return in excess of inflation that is targeted over the long term;
- the investment time horizon, ie the likely minimum period required to enable the investment strategy to deliver the objective;
- risk, measured as the expected frequency with which the investment strategy is expected to deliver a negative return.

	Defined Benefit	Balanced	Growth	Conservative
Product Objectives:				
Real return objective greater than	4.5 percent	4.0 percent	5.0 percent	3.0 percent
Investment time horizon	8 years	7 years	10 years	4 years
Expectation of negative return	2 years in 8	2 years in 7	3 years in 10	1 year in 4
Total funds at 30 June 2001 (\$'million)	3 563.4	1 625.8	67.2	1.6

The cash product (\$0.5 million at 30 June 2001) has a target of maintaining the value of capital pending investment in one of the longer term products or exit from the scheme.

Strategic Asset Allocation and the Actual Position

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment products. A comparison of the target asset allocation for each of the five products compared to the actual position at 30 June 2001 revealed that all variances were within the rebalancing ranges around the strategic target, ie a rebalancing policy has been adopted by Funds SA to ensure the efficient maintenance of the asset allocation within an acceptable tolerance around the strategic target.

Investment Returns

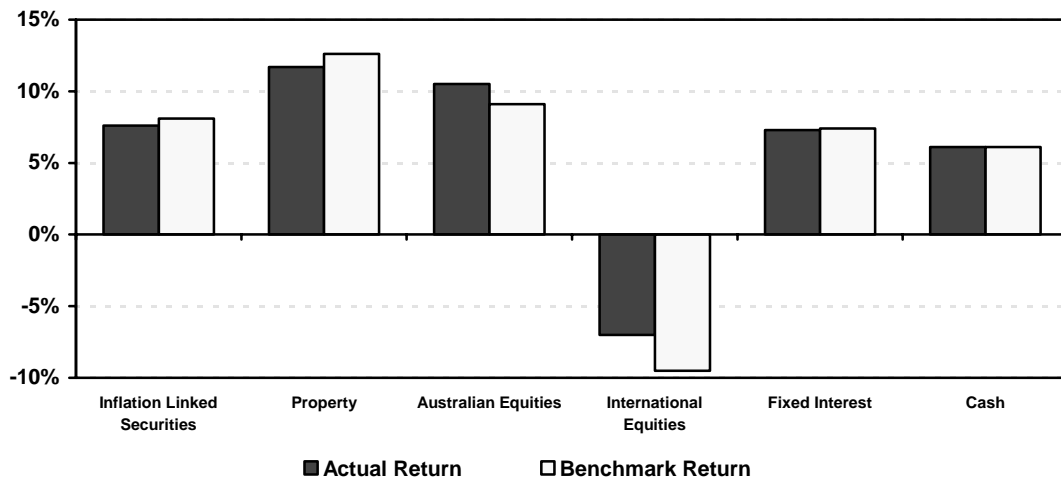
Funds SA values its investments at net market value, in accordance with the requirements of Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'. Any increases or decreases in the market value are brought to account through the Statement of Changes in Net Assets. As such the value of the investments under management has a direct impact upon the level of income earned by Funds SA in any one year. Funds SA has established performance benchmarks for each asset class as follows:

Asset Class	Performance Benchmark
Australian Equities	Standard and Poors/ASX 300 Accumulation Index.
International Equities	Tailored benchmark incorporating specific subsectors and hedge ratios.
Property	Mercer Australian Unlisted Property Index. Standard and Poors/ASX Property 300 Accumulation Index.
Inflation Linked	UBS Warburg Australian Inflation Linked Bond Index.
Fixed Interest	UBS Warburg Australian Composite Bond Index.
Cash	UBS Warburg Australian Bank Bill Index.

Funds SA's objective is to exceed the relevant benchmark in each asset class.

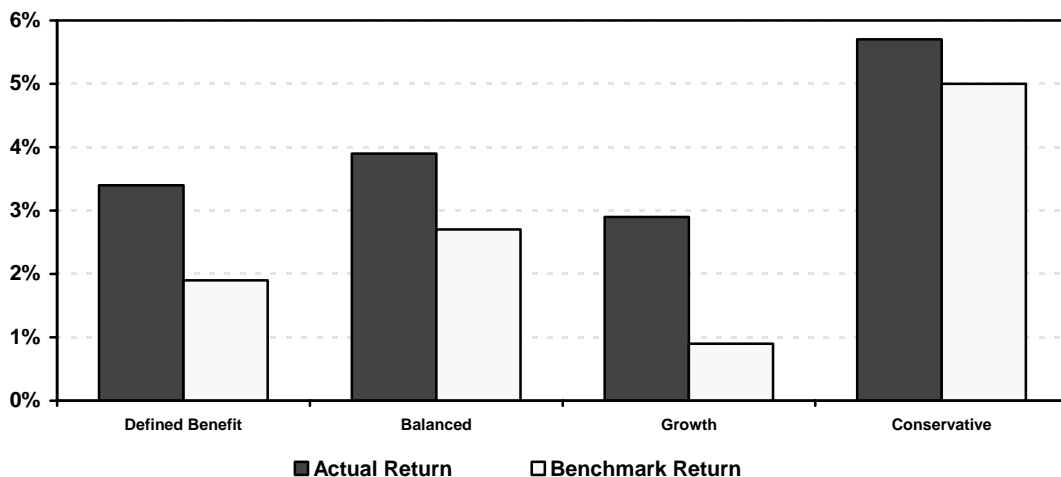
Return Performance by Asset Class

The return performance of each of the six distinct asset classes, against their relevant benchmark, for the 2000-01 financial year, is depicted in the following chart:



Return Performance by Product

The return performance of each of the distinct products (excluding 'cash'), against their relevant benchmark, for the 2000-01 financial year is depicted in the following chart:



Statement of Changes in Net Assets for the year ended 30 June 2001

	Note	\$'000	2001 \$'000	2000 \$'000
NET ASSETS AS AT 1 JULY			4 997 188	3 902 286
NET FUNDS MADE AVAILABLE FOR INVESTMENT	4		85 559	316 125
INCOME EARNED AND EXPENDITURE INCURRED AS A RESULT OF INVESTMENT ACTIVITIES:				
Net income earned from:				
Inflation linked securities	5(a)	43 871		53 688
Property	5(a)	45 216		32 254
Australian equities	5(a)	177 608		232 667
International equities	5(a)	(131 664)		328 812
Australian fixed interest	5(a)	34 575		27 610
International fixed interest	5(a)	(852)		-
Cash	5(a)	6 021		5 674
Adelaide Plaza	5(a)	3 385		100 378
			178 160	781 083
Less: Administration expenses	6		2 415	2 306
Net Income from Investment Activities	5(b)		175 745	778 777
NET ASSETS AS AT 30 JUNE			5 258 492	4 997 188

Statement of Net Assets as at 30 June 2001

	Note	\$'000	2001 \$'000	2000 \$'000
BALANCE OF ACCOUNTS OPERATED IN RESPECT OF:				
SOUTH AUSTRALIAN SUPERANNUATION SCHEME:				
South Australian Superannuation Fund - Old Scheme Division	21(a)		1 226 988	1 232 461
South Australian Superannuation Fund - New Scheme Division	21(a)		340 719	312 576
Employer Contribution Accounts	21(b)		1 357 057	1 350 941
			2 924 764	2 895 978
POLICE SUPERANNUATION SCHEME:				
Police Superannuation Fund - Old Scheme Division	21(c)		239 030	235 801
Police Superannuation Fund - New Scheme Division	21(c)		9 915	8 836
Employer Contribution Account	21(d)		161 580	164 493
			410 525	409 130
SOUTHERN STATE SUPERANNUATION SCHEME:				
Southern State Superannuation Fund	21(e)		144 868	93 671
Southern State Superannuation (Employers) Fund	21(f)		1 550 174	1 377 206
			1 695 042	1 470 877
PARLIAMENTARY SUPERANNUATION SCHEME				
JUDGES' PENSION SCHEME	21(g)		105 402	103 273
GOVERNORS' PENSION SCHEME	21(h)		87 170	84 868
POLICE OCCUPATIONAL SUPERANNUATION SCHEME	21(i)		652	662
	21(j)		34 937	32 400
BALANCE OF ACCOUNTS			5 258 492	4 997 188
REPRESENTED BY:				
INVESTMENTS:				
Inflation linked securities	7	625 925		561 492
Property	8	475 287		400 878
Australian equities	9	1 865 716		1 647 604
International equities	10	1 770 412		1 786 826
Australian fixed interest	12	247 462		451 340
International fixed interest	13	246 394		-
Cash	14	28 954		80 124
Adelaide Plaza	11	38 661		110 977
			5 298 811	5 039 241
FIXED ASSETS	15		93	102
OTHER ASSETS:				
Cash at bank		180		55
Interest, dividends and rent due		526		1 561
Prepaid expenses		64		69
Sundry debtors		279		13
			1 049	1 698
Total Assets			5 299 953	5 041 041
CURRENT LIABILITIES:				
Rent paid in advance		1 379		1 308
Sundry creditors		4 839		3 795
Provisions	16(a)	99		132
			6 317	5 235
NON-CURRENT LIABILITIES	16(b)		35 144	38 618
Total Liabilities			41 461	43 853
NET ASSETS			5 258 492	4 997 188

Statement of Cash Flows for the year ended 30 June 2001

	Note	Inflows (Outflows) \$'000	2001 Inflows (Outflows) \$'000	Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash flows from:					
Inflation linked securities			22 818		23 202
Property			273		431
Australian equities			15 349		7 267
International equities			(116 049)		(38 152)
Australian fixed interest			(743)		(583)
International fixed interest			(1)		-
Cash			6 273		5 960
Adelaide Plaza			(203)		1 199
Administration			(2 374)		(2 163)
Net Cash used in Operating Activities	19(b)			(74 657)	(2 839)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments:					
Inflation linked securities		(48 000)			(72 349)
Property		(32 331)			(45 262)
Australian equities		(55 193)			(110 138)
International equities		(41 727)			(395 431)
Australian fixed interest		(8 000)			(60 000)
International fixed interest		(247 208)			-
Fixed assets		(76)			(33)
			(432 535)		(683 213)
Sale of investments:					
Inflation linked securities		4 842			4 636
Property		-			6 679
Australian equities		525			1 976
International equities		43 263			295 892
Australian fixed interest		247 208			-
Adelaide Plaza		75 000			-
Fixed assets		16			5
			370 854		309 188
Net Cash used in Investing Activities				(61 681)	(374 025)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Receipts			321 426		620 923
Payments			(235 867)		(304 798)
Net Cash provided by Financing Activities	4			85 559	316 125
NET DECREASE IN CASH HELD				(50 779)	(60 739)
CASH AS AT 1 JULY				79 650	140 389
CASH AS AT 30 JUNE	19(a)			28 871	79 650

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Format of the Financial Statements

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA. The public sector superannuation funds (the funds) are defined under the Act as:

- the South Australian Superannuation Fund
- the Police Superannuation Fund
- the Southern State Superannuation Fund
- the employer contributions made pursuant to section 5 of the *Superannuation Act 1988* where the arrangement requires contributions to be invested and managed by Funds SA
- funds determined by the Minister to be public sector superannuation funds.

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under section 26(1) of the Act, and in respect of each of the funds, as required by section 26(2) of the Act. Funds SA's investment activities are reported on in the Statement of Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows.

Statements of Changes in Net Assets and Statements of Net Assets Under Management in respect of each public sector superannuation fund are reported upon in Note 21 to these financial statements as required by section 26(2) of the Act.

As at 30 June 2001, Funds SA managed the following public sector superannuation funds:

- South Australian Superannuation Scheme:
 - South Australian Superannuation Fund (Old Scheme Division)
 - South Australian Superannuation Fund (New Scheme Division)
 - South Australian Superannuation Scheme - Employer Contribution Accounts.
- Police Superannuation Scheme:
 - Police Superannuation Fund (Old Scheme Division)
 - Police Superannuation Fund (New Scheme Division)
 - Police Superannuation Scheme - Employer Contribution Account.

1. **Format of the Financial Statements (continued)**

- Southern State Superannuation Scheme:
 - Southern State Superannuation Fund
 - Southern State Superannuation (Employers) Fund.
- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme
- Police Occupational Superannuation Scheme

Funds SA is not responsible for the administration of the superannuation schemes associated with the public sector superannuation funds. All scheme administration activities are undertaken by the Superannuation Boards established by scheme legislation, or by the Department of Treasury and Finance. Consequently, the financial statements of Funds SA report only on the investment activities of the public sector superannuation funds under management. For information on the nature and overall operations of the various superannuation schemes, reference should be made to annual reports and financial statements prepared by the responsible Superannuation Boards and/or the Department of Treasury and Finance.

2. **Statement of Accounting Policies**

(a) **Basis of Accounting**

The financial statements are general purpose statements and have been prepared on an accruals basis in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instruction 19 'Financial Reporting' and Department of Treasury and Finance Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act, 1987*, except as provided below.

The financial statements of Funds SA, although not recording the administration activities of the public sector superannuation funds, are prepared in accordance with the principles of the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' where relevant. The Directors believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial statements of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

As investments are revalued to their respective net market values at balance date, depreciation and amortisation are not provided for in these financial statements.

Funds SA utilises the consolidation method of accounting. Assets and liabilities of Funds SA's controlled entities have been consolidated into the financial statements at their net market values. The effects of transactions between entities in the economic entity are eliminated in full. Financial information in respect of the parent entity separate to that of the economic entity has not been provided as the application of market value reporting concepts results in the parent entity's financial statements fully reflecting the economic activities of controlled entities. It is believed that disclosure of the parent entity's results separate to those of the economic entity would not provide information which would add value to users of the financial statements.

(b) **Basis of Valuations of Assets and Liabilities**

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(i) **Inflation Linked Securities**

The Inflation Linked Securities portfolio comprises two sub-sectors:

- **Internally Managed**
These investments, the returns of which are linked to movements in either the Consumer Price Index (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2001 was performed by an independent valuer, Macquarie Bank Limited.
- **Externally Managed**
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

(ii) **Property**

The Property portfolio comprises four sub-sectors:

- **Directly Held Properties**
Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8.
- **Directly Held Listed Property Trusts**
Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.
- **Externally Managed Listed Property Trusts**
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
- **Externally Managed Unlisted Property Vehicles**
Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

- (iii) **Australian Equities**
The Australian Equities portfolio comprises two sub-sectors:
- **Listed Australian Equities**
The listed Australian equities portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
 - **Private Equity**
The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by Directors, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.
- (iv) **International Equities**
The International Equities portfolio comprises two sub-sectors:
- **Listed International Equities**
The listed international equities portfolio is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.
 - **Private Equity**
The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.
- (v) **Adelaide Plaza**
The Adelaide Plaza Fund comprises Funds SA's investment in the Funds SA Subsidiary Holding Corporation, a wholly owned subsidiary of Funds SA (refer Note 11). The Funds SA Subsidiary Holding Corporation's remaining investments at 30 June comprise the units in the Riverside Office Trust, the shares in Riverside Office Pty Ltd (the trustee company for the Riverside Office Trust) and cash. Funds SA's investment in the Adelaide Plaza Fund has been valued by the Directors having regard to the 30 June 2001 consolidated management accounts of the Funds SA Subsidiary Holding Corporation.
- (vi) **Australian Fixed Interest**
The Australian Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vii) **International Fixed Interest**
The International Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (viii) **Cash**
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.
- (ix) **Fixed Assets**
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors are of the opinion that this provides a reasonable estimate of market value.
- (x) **Other Assets and Liabilities**
These items have been assessed and the Directors are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.
- (c) **Taxation**
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.
- (d) **Accounting for Leases**
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

3. Operation of Investment Portfolio

Funds SA operates a pooled investment portfolio utilising a number of sector funds, each of which holds assets of a different category. The sector funds are:

- Inflation Linked Securities
- Property
- Australian Equities
- International Equities
- Australian Fixed Interest
- International Fixed Interest
- Cash

Funds SA also operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds.

From 1 July 1999, Funds SA implemented a range of investment strategies (or 'products') to cater for the introduction of member investment choice offered to members of the Southern State Superannuation Scheme. Funds SA therefore manages five separate investment products distinguished by differing strategic asset allocations. The products are:

- Growth
- Balanced
- Conservative
- Cash
- Defined Benefit

The first four products are available to members of the Southern State Superannuation Scheme whereas the fifth product, Defined Benefit, is applied to the remainder of the public sector superannuation funds managed by Funds SA. Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment products.

Each public sector superannuation fund holds units in a product, which in turn holds units in each of the sector funds according to the target strategic asset allocation for the investment product. Units are issued and redeemed monthly at unit prices determined by the net market value of underlying investments.

The interest which each public sector superannuation fund holds in the unitised investment portfolio is disclosed in each fund's Statement of Net Assets Under Management in Note 21. Each fund's allocation of total net investment income is disclosed in Note 5(b) and in each fund's Statement of Changes in Net Assets in Note 21.

In addition to the foregoing sector funds, another sector fund titled the 'Adelaide Plaza Fund' was established in 1995 to hold Funds SA's investment in the Adelaide Casino, Hyatt Hotel and Riverside Office building. At 30 June, the units in this sector fund were held exclusively by three 'government risk' funds: the SA Superannuation Scheme Employer Contribution Accounts, the Police Superannuation Scheme Employer Contribution Account and the Police Occupational Superannuation Scheme.

4. Net Funds made Available for Investment

The receipts below represent the total of monies received by Funds SA from the public sector superannuation funds for investment, and payments represent the total of monies redeemed by the funds to meet scheme payments.

	2001	2000
	\$'000	\$'000
South Australian Superannuation Scheme:		
Receipts	128 300	431 295
Less: Payments	194 591	226 300
	<u>(66 291)</u>	<u>204 995</u>
Police Superannuation Scheme:		
Receipts	2 350	4 475
Less: Payments	14 225	44 425
	<u>(11 875)</u>	<u>(39 950)</u>
Southern State Superannuation Scheme:		
Receipts	187 221	152 035
Less: Payments	23 246	20 003
	<u>163 975</u>	<u>132 032</u>
Parliamentary Superannuation Scheme:		
Receipts	1 440	692
Less: Payments	2 610	7 020
	<u>(1 170)</u>	<u>(6 328)</u>
Judges' Pension Scheme:		
Receipts	750	26
Less: Payments	1 160	6 980
	<u>(410)</u>	<u>(6 954)</u>
Governors' Pension Scheme:		
Receipts	5	-
Less: Payments	35	70
	<u>(30)</u>	<u>(70)</u>
Police Occupational Superannuation Scheme:		
Receipts	1 360	32 400
Less: Payments	-	-
	<u>1 360</u>	<u>32 400</u>
	<u>85 559</u>	<u>316 125</u>

5. Investment Income	2001	2000
(a) Composition of Investment Income	\$'000	\$'000
Details of income earned from investment activities is provided below:		
Inflation Linked Securities:		
Net income received or receivable:		
Rent	11 883	11 402
Interest	21 077	16 306
Interest capitalised	6 999	13 905
	<u>39 959</u>	<u>41 613</u>
Less: Expenses	525	402
	<u>39 434</u>	<u>41 211</u>
Net appreciation (depreciation) of assets	(1 237)	10 830
Excess (shortfall) of realisations over market values previously taken	5 674	1 647
	<u>43 871</u>	<u>53 688</u>
Property:		
Net income received or receivable:		
Rent	5 953	6 452
Interest	244	94
Dividends	21 126	15 285
	<u>27 323</u>	<u>21 831</u>
Less: Expenses	4 345	4 705
	<u>22 978</u>	<u>17 126</u>
Net appreciation (depreciation) of assets	19 811	14 010
Excess (shortfall) of realisations over market values previously taken	2 427	1 118
	<u>45 216</u>	<u>32 254</u>
Australian Equities:		
Net income received or receivable:		
Dividends	82 150	64 740
Interest	4 629	2 306
	<u>86 779</u>	<u>67 046</u>
Less: Expenses	4 113	3 378
	<u>82 666</u>	<u>63 668</u>
Net appreciation (depreciation) of assets	87 896	111 855
Excess (shortfall) of realisations over market values previously taken	7 046	57 144
	<u>177 608</u>	<u>232 667</u>
International Equities:		
Net income received or receivable:		
Dividends	15 143	9 098
Interest	1 734	742
	<u>16 877</u>	<u>9 840</u>
Less: Expenses	9 322	6 438
	<u>7 555</u>	<u>3 402</u>
Net appreciation (depreciation) of assets	(62 151)	286 405
Realised net income (expense) from currency hedge strategy	(110 057)	(71 723)
	<u>(164 653)</u>	<u>218 084</u>
Excess (shortfall) of realisations over market values previously taken	32 989	110 728
	<u>(131 664)</u>	<u>328 812</u>
Australian Fixed Interest:		
Net income received or receivable:		
Interest	27 695	23 475
	<u>27 695</u>	<u>23 475</u>
Less: Expenses	784	670
	<u>26 911</u>	<u>22 805</u>
Net appreciation (depreciation) of assets	(1 467)	5 186
Excess (shortfall) of realisations over market values previously taken	9 131	(381)
	<u>34 575</u>	<u>27 610</u>
International Fixed Interest:		
Net income received or receivable:		
Interest	589	-
	<u>589</u>	<u>-</u>
Less: Expenses	41	-
	<u>548</u>	<u>-</u>
Net appreciation (depreciation) of assets	(3 063)	-
Excess (shortfall) of realisations over market values previously taken	1 663	-
	<u>(852)</u>	<u>-</u>
Cash:		
Net income received or receivable:		
Interest	5 842	5 599
	<u>5 842</u>	<u>5 599</u>
Less: Expenses	5	1
	<u>5 837</u>	<u>5 598</u>
Net appreciation (depreciation) of assets	262	529
Excess (shortfall) of realisations over market values previously taken	(78)	(453)
	<u>6 021</u>	<u>5 674</u>

(a)	Composition of Investment Income (continued)	2001	2000
	Adelaide Plaza:	\$'000	\$'000
	Net income received or receivable:		
	Dividends	-	1 572
		-	1 572
	Less: Expenses	(699)	918
		699	654
	Net appreciation (depreciation) of assets	2	6 895
	Excess (shortfall) of realisations over market values previously taken	2 684	92 829
		3 385	100 378
		178 160	781 083

Under certain inflation linked securities, payments received during any year may vary from the amount of income accruing in respect of that year. The difference, which represents capitalised interest, is applied to adjust the outstanding principal of the investment. Income arising from this source has been identified in this Note as 'Interest capitalised'.

Net appreciation (depreciation) of assets represents unrealised gains (losses), over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period. With respect to international equities, the net appreciation (depreciation) of assets is offset by either the expense or income realised during the financial year due to the implementation of Funds SA's currency management strategy.

Excess (shortfall) of realisations over market values previously taken represents realised gains (losses) over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(b)	Allocation of Net Investment Income	2001	2000
	The allocation of net investment income to each public sector superannuation fund managed by Funds SA is as follows:	\$'000	\$'000
	South Australian Superannuation Scheme:		
	South Australian Superannuation Fund - Old Scheme Division	38 677	176 039
	- New Scheme Division	10 493	44 777
	Employer Contribution Accounts	45 907	264 042
	Police Superannuation Scheme:		
	Police Superannuation Fund - Old Scheme Division	7 479	34 348
	- New Scheme Division	304	1 243
	Employer Contribution Account	5 487	39 052
	Southern State Superannuation Scheme:		
	Southern State Superannuation Fund	4 622	11 042
	Southern State Superannuation (Employers) Fund	55 568	179 327
	Parliamentary Superannuation Scheme	3 299	15 686
	Judges' Pension Scheme	2 712	13 120
	Governors' Pension Scheme	20	101
	Police Occupational Superannuation Scheme	1 177	-
		175 745	778 777

Subscriptions and redemptions are regularly made from unitised sector funds in line with each fund's cash flow requirements. It is therefore not possible to determine accurately the separate contribution of realised and unrealised gains to each fund's share of net investment income.

6. Administration and Related Party Disclosures

(a) General

Administration expenses incurred by Funds SA totalling \$2.4 million (\$2.3 million) have been charged against the sector funds under management. This cost is recorded in the Statement of Changes in Net Assets.

(b) Directors

The following directors of the Corporation who have served during the course of the 2000-01 financial year, along with the period served:

Helen Nugent, Chairman	(appointed 1.12.2000)	Jan McMahon, Director	(throughout the year)
Kevin Crawshaw, Director	(throughout the year)	Anthony Sims, Director	(throughout the year)
Leigh Hall, Director	(appointed 16.2.01)	Jim Wright, Director	(throughout the year)
Louise Hicks, Director	(throughout the year)		

(c) Directors' Remuneration

Directors' remuneration includes fees, superannuation and other benefits. Directors' fees for the 2000-01 year were set by the Governor of South Australia. Directors' fees include fees paid with respect to members' representation on both the Funds SA Board and the boards of associated controlled entities.

	2001	2000
Total Fees	Number of	Number of
	Directors	Directors
\$0 - \$10 000	1	1
\$10 001 - \$20 000	1	1
\$20 001 - \$30 000	1	1
\$30 001 - \$40 000	4	1
\$50 001 - \$60 000	-	1
\$70 001 - \$80 000	-	1
\$100 001 - \$110 000	-	1

The aggregate remuneration of Directors was \$165 000 (\$308 000).

(d) Transactions with Directors and Director-Related Entities

The Chairman of Funds SA, Dr H Nugent, is also a director of the Macquarie Bank Group Limited. Macquarie Investment Management Limited, a division of the Macquarie Bank Group Limited, has provided funds management services to Funds SA on normal commercial terms and conditions and Dr H Nugent has taken no part in any decisions relating to Funds SA's relationship with Macquarie Investment Management Limited.

(e) Employees' Remuneration

Funds SA had 15 employees as at 30 June 2001.

Remuneration, including salary, bonuses, superannuation and other benefits, of Funds SA officers which exceeds the disclosure threshold required by Accounting Policy Statement No. 13 'Form and Content of General Purpose Financial Reports' is as follows:

	2001	2000
	Number of	Number of
	Officers	Officers
Total Remuneration		
\$100 001 - \$110 000	-	1
\$110 001 - \$120 000	1	-
\$130 001 - \$140 000	-	1
\$150 001 - \$160 000	-	1
\$170 001 - \$180 000	1	-
\$200 001 - \$210 000	1	-

The aggregate remuneration of executives exceeding the disclosure threshold was \$492 000 (\$395 000).

(f) Employee Entitlements

The administration expenses incurred by Funds SA include recognition of the liabilities associated with employee entitlements of Funds SA officers resulting from service up to the balance date.

Employee entitlement liabilities have been calculated at nominal values based upon salary rates existing at the balance date and include related on-costs. Liabilities for unpaid salaries, annual leave and long service leave have been recognised.

Sick leave entitlements are non-vesting and have not been recognised as a liability.

The liability for long service leave is calculated using a shorthand method of estimation in accordance with the provisions of the Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Long service leave liability is based upon recognition of entitlement after five years service.

Superannuation liabilities recognised in the Statement of Net Assets represents employer contributions due but not yet paid as at the balance date. Funds SA Directors and officers are either members of the South Australian Superannuation Scheme, Southern State Superannuation Scheme or private superannuation funds.

Funds SA makes periodic payments to these superannuation funds. These payments extinguish any future liability for superannuation for all employees and directors. In 2000-01, the periodic amounts paid, or due and payable, to the South Australian Superannuation Scheme and the Southern State Superannuation Scheme totalled \$67 000 (\$74 000). In 2000-01, the periodic amounts paid, or due and payable, to private superannuation funds totalled \$34 000 (\$20 000).

	2001		Total	
	Current	Non-Current	2001	2000
	\$'000	\$'000	\$'000	\$'000
The employee entitlements recognised as liabilities as at 30 June comprise:				
Salaries and wages	22	-	22	54
Annual leave	56	-	56	45
Long service leave	1	213	214	166
Superannuation	2	-	2	14
	81	213	294	279

(g) Auditors' Remuneration

Amounts received, or due and receivable, by the auditors are:

	2001	2000
	\$'000	\$'000
Auditor-General's Department:		
Auditing the financial statements of Funds SA and certain controlled entities	85	76
Bird Cameron Partners (Sydney):		
Auditing the accounts of Pipetch Pty Ltd and the SILT Trust	3	4
Bird Cameron Partners (Sydney)		
Other services	-	1
	88	81

(h) Fees paid to Consultants

Fees paid or payable to consultants for services not related to the management of specific investments amounted to \$59 000 (\$154 000) and are included as part of the administration expenses of Funds SA. Funds SA also makes payments for services provided in relation to the acquisition, ongoing management and disposal of investments. These payments are incurred in the normal course of business, and have been either capitalised or expensed within the sector funds to which they relate.

7. Inflation Linked Securities

The net market value of individual assets or portfolios that comprise the Inflation Linked Securities Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Inflation linked securities held by subsector at the balance date comprise:

	2001	2000
	Net Market Value	Net Market Value
	\$'000	\$'000
Internally managed investments	399 695	400 221
Externally managed investments	226 230	161 271
	625 925	561 492

As at 30 June, the composition of each subsector is as follows:

Internally Managed:

- Omni Midland Pty Ltd Loan
- Babcock and Brown Lease Management Services Pty Ltd Loan
- Obtala Pty Ltd Loan
- Government Computing Centre, Glenside, SA
- SA Housing Trust Leaseholds, various locations, SA
- Sir Samuel Way Building, Victoria Square, Adelaide, SA
- Roma Mitchell Building, North Terrace, Adelaide, SA
- Shell Australia Service Station Leases, various locations⁽¹⁾
- Blue Mountains Sewage Transfer Scheme, NSW⁽²⁾

Externally Managed:

- Credit Suisse Asset Management (Australia) Limited

- (1) The leases provide for Funds SA to receive rental payments adjusted annually by the greater of inflation or an agreed percentage amount. The market valuation of these arrangements also incorporates the present value of the property residual, this being determined as the unimproved land value at lease expiry.
- (2) The market value of the Blue Mountains Sewage Transfer Scheme represents the present value of a stream of cash flows arising from a series of bonds, indexed to the Average Weekly Earnings, under a contract with the Sydney Water Board to transfer sewage from the Blue Mountains to the Winmalee Sewage Treatment Plant.

8. Property

The net market value of individual assets or portfolios that comprise the Property Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Property interests held by subsector at balance date comprise:

	2001	2000
	Net Market Value	Net Market Value
	\$'000	\$'000
Directly held properties and listed property trusts	40 110	42 661
Externally managed listed property trusts	272 771	228 446
Externally managed unlisted property vehicles	162 406	129 771
	475 287	400 878

As at 30 June, the composition of each subsector is as follows:

Directly held Properties:

- Australian Taxation Office, 200 Collins Street, Hobart, Tasmania
- Net present value of lease residual, Department of Land Administration Offices, Midland, Western Australia

Directly held Listed Property Trusts:

- AMP Industrial Property Trust

Externally Managed Listed Property Trusts:

- Rothschild Australia Asset Management Limited⁽¹⁾
- Deutsche Australia Limited (previously Paladin Aust Ltd)⁽¹⁾

Externally Managed Unlisted Property Vehicles:

- AMP Life Limited
- Private Property Syndicate
- Lend Lease Real Estate Partners

- (1) Rothschild Australia Asset Management Ltd and Deutsche Australia Ltd each manage a listed properties securities mandate on Funds SA's behalf. They have been given discretion as to the timing of entry into markets, which means from time to time they may hold some cash rather than listed property securities.

The Australian Taxation Office, Hobart has been the subject of a redirection of the rental stream arising from a long term lease. The value of this property has been determined by the Directors having regard to the nature of the arrangements currently in force over the property, and anticipated market conditions at the expiration of these arrangements. The residual value of the property, \$1.4 million, has been valued by Colliers Jardine. The offsetting non-current liability is reported in Note 16(b).

The value of a future interest in the lease residual associated with the Department of Land Administration Offices, Midland, has been determined by the Directors using the discounted cash flow method.

9. **Australian Equities**

The net market value of individual assets or portfolios that comprise the Australian Equities Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

(a) **Externally Managed**

Funds SA uses fund managers to manage its externally managed Australian equities portfolio. Each manager has been given a mandate to invest in discretely held portfolios of listed Australian equities, but for market timing purposes, they may also hold some cash from time to time. Assets under management are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:	2001 Net Market Value \$'000	2000 Net Market Value \$'000
Index Enhanced Mandate:		
Macquarie Investment Management Ltd	388 627	452 942
Active Broad Market Mandate:		
Credit Suisse Asset Management (Australia) Ltd	449 113	395 441
Perpetual Asset Management Ltd	491 955	424 779
Balanced Equity Management Pty Ltd	489 731	313 906
	1 819 426	1 587 068

(b) **Private Equity**

This item comprises investments mainly in unlisted companies and managed trust funds. Such investments may take the form of equity interests, loans, or a combination of both.

Private equity interests held by subsector at balance date comprise:	2001	2000
Listed equities	3 824	3 917
Unlisted equities	3 647	4 375
Managed funds	38 819	52 244
	46 290	60 536
Total Australian Equities	1 865 716	1 647 604

As at 30 June, the composition of each subsector is as follows:

- Listed Equities:
 - Grand Hotel Group
- Unlisted Equities:
 - Australian Leather Holdings Ltd
 - Monsafe Pty Ltd
- Managed Funds:
 - Arrow Development Fund (Rothschilds)
 - Australian Mezzanine Investment #2 Trust
 - Hambro-Grantham Development Trust
 - Macquarie Investment #2 Trust
 - AMP Business Development Fund #2
 - Catalyst Fourth Management Buyout Fund
 - Castle Harlan Australian Mezzanine Partners No 1A Trust
 - Business Equity Fund
 - Equity Partners #2
 - Technology Venture Partners #3

10. **International Equities**

The net market value of individual assets or portfolios that comprise the International Equities Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its international equities portfolio. Each manager has been given a mandate to invest either in discretely held listed equities, pooled unit trusts or private equity investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:	2001 Net Market Value \$'000	2000 Net Market Value \$'000
Discretely Managed:		
All Countries (ex Australia) mandates:		
Capital International Inc.	215 748	399 692
Europe Australasia Far East (EAFE) mandates:		
Lazard Asset Management Pacific Co	288 589	350 198
Capital International Inc	270 084	-
Rainier Investment Management	127 447	94 740
North America mandates:		
Schroder Investment Management (Australia) Ltd	68 375	60 892
Pooled Unit Trusts:		
North America mandates:		
Barclay Global Investors - Indexed	282 012	290 699
Barclay Global Investors - Alpha Tilt	364 329	454 044
Emerging markets mandate:		
Genesis Management Australia Ltd	53 806	50 904
Schroder Investment Management (Australasia) Ltd	48 685	57 656

10. International Equities (continued)

	2001 Net Market Value \$'000	2000 Net Market Value \$'000
Private Equity:		
Wilshire Private Markets Fund #2	13 604	9 332
Brinson Partnership Trust 1999	2 638	1 346
Wilshire Private Markets Fund #3	6 036	3 258
Brinson Partnership Trust 2000	7 142	2 404
Wilshire Private Markets Fund #4	1 219	-
Brinson Partnership Trust 2001	1 365	-
Wilshire Private Markets Fund #4 (non-US)	193	-
Brinson Partnership Trust 2001 (non-US)	33	-
Currency Hedge Overlay ⁽¹⁾	19 107	11 661
	1 770 412	1 786 826

(1) The value of the currency hedge overlay at 30 June is represented by either the expense or income associated with closing out the forward rate agreements in place, at that date, as part of Funds SA's currency management strategy. The positive hedge overlay position, as at 30 June, reflects appreciation in the Australian dollar relative to cross-currencies during the June quarter.

11. Adelaide Plaza

The Adelaide Plaza Fund was established in 1995 to hold Funds SA's investment in the Adelaide Casino, Hyatt Hotel and Riverside Office building. These assets were owned and operated by Adelaide Casino Pty Ltd, FSASER Hotel Pty Ltd and Riverside Office Pty Ltd as trustee for the Riverside Office Trust (the entities). The entities were held by Funds SA through its fully owned subsidiary, the Funds SA Subsidiary Holding Corporation, which is a subsidiary established under the *Public Corporations Act 1993*.

The Funds SA Subsidiary Holding Corporation acquired the entities on 30 June 1998 following an ownership restructure of the assets of the ASER group of entities.

During the 1999-2000 financial year the Funds SA Subsidiary Holding Corporation sold its shares in FSASER Hotel Pty Ltd and Adelaide Casino Pty Ltd. The proceeds from these sales were used to repay debt and to pay a dividend to Funds SA.

During the 2000-01 financial year, the Riverside Office Building was sold thus finalizing Funds SA's exit from the Adelaide Plaza assets. The remaining investments of the Funds SA Subsidiary Holding Corporation at balance date comprise the units in the Riverside Office Trust (mainly working capital), the shares in Riverside Office Pty Ltd and cash.

Directors have valued Funds SA's investment in the Funds SA Subsidiary Holding Corporation at \$38.7 million (\$111 million).

The units in the Adelaide Plaza Fund are held exclusively by three 'government risk' funds, namely the SA Superannuation Scheme Employer Contribution Accounts, the Police Superannuation Scheme Employer Contribution Account and the Police Occupational Superannuation Scheme.

12. Australian Fixed Interest

The net market value of individual assets or portfolios that comprise the Australian Fixed Interest Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its Australian fixed interest portfolio. Each manager has been given a mandate to invest either in discretely held or pooled unit trust portfolios of fixed interest investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:

	2001 Net Market Value \$'000	2000 Net Market Value \$'000
Discretely Managed:		
Australian broad market:		
Credit Suisse Asset Management (Australia) Ltd	122 260	-
Macquarie Investment Management Ltd	-	224 059
Australian broad market with tactical discretion:		
UBS Brinson	125 202	227 281
	247 462	451 340

13. International Fixed Interest

The net market value of individual assets or portfolios that comprise the International Fixed Interest Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its international fixed interest portfolio. Each manager has been given a mandate to invest either in discretely held or pooled unit trust portfolios of global fixed interest investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:

	2001 Net Market Value \$'000	2000 Net Market Value \$'000
Discretely Managed:		
Active mandates:		
PIMCO Australia Pty Ltd ⁽¹⁾	123 972	-
Fischer Francis Trees and Watts, Inc ⁽¹⁾	122 422	-
	246 394	-

(1) During the financial year, half of the existing Australian Fixed Interest Sector Fund was redeemed and invested with these international fixed interest managers.

14.	Cash	2001	2000
	The Cash Sector Fund comprised the following investments as at 30 June:	\$'000	\$'000
	11am and term deposits	600	16 595
	Bank bills	28 354	63 529
		28 954	80 124
<hr/>			
15.	Fixed Assets		
	Fixed assets comprise fixtures, fittings, plant and equipment. Movements in this account are summarised below:		
	Fixed assets (At cost) at 1 July	768	868
	Add: Purchases	76	27
		844	895
	Less: Disposals (At cost)	50	127
	Fixed assets (At cost) at 30 June	794	768
	Less: Accumulated depreciation	701	666
		93	102
<hr/>			
16.	Liabilities		
	(a) Current Provisions		
	Current provisions as at balance date comprise:		
	Provision for employee entitlements	81	114
	Lease incentive	18	18
		99	132
	(b) Non-Current Liabilities		
	Non-Current liabilities as at balance date comprise:		
	Provision for employee entitlements	213	165
	Bank bill facility ⁽¹⁾	34 886	37 675
	Other	-	715
	Lease incentive	45	63
		35 144	38 618
<hr/>			

(1) The future income stream arising from the long term lease to the Australian Taxation Office (ATO) of the whole of a Hobart office property has been redirected to a syndicate of international banks. The redirection was in the form of a concurrent lease of the property to the banks under which the banks received the right to the rental and fixed outgoing payments made by the ATO. The concurrent lease requires the banks to make rental payments to Funds SA equal in value to the payments receivable from the ATO. As part of the transaction, the banks provided a bank bill facility to Funds SA. Under a set-off agreement, the rental payments due to Funds SA under the concurrent lease are applied by the banks to service the bill facility. The amounts outstanding under the facility are predetermined and are capable of being fully serviced and repaid from the concurrent lease rentals.

17.	Commitments and Contingent Liabilities		
	(a) Capital Commitments		
	On 30 June, Funds SA had commitments associated with future capital calls on private equity investments entered into before that date, other than transactions which have been provided for in the financial statements as unsettled purchases of investments. The commitments are as follows, with no allowance having been made for the time value of money:		
		2001	2000
		\$'000	\$'000
	Not later than one year	45 456	31 463
	Later than one year but not later than two years	50 268	27 729
	Later than two years	32 532	20 516
		128 256	79 708
	(b) Contingent Liabilities		
	Contingent liabilities take the form of contested claims of third parties and the granting of a number of put options, and are as follows:		
		2001	
		\$'million	
	Australian Taxation Office, Bankstown, NSW ⁽¹⁾	35.0	
	Australian Taxation Office, Wollongong, NSW ⁽²⁾	8.0	
		43.0	
<hr/>			

(1) Funds SA has granted a put option in relation to a debt facility, capped at \$35 million, in respect of premises for the Australian Taxation Office in Bankstown, NSW. If exercised, Funds SA would acquire loan assets secured against developed properties. This put option may be exercised in May 2002.

(2) Funds SA has also granted a put option with an exercise price of \$8 million in respect of an office property located in Wollongong, NSW, also occupied by the Australian Taxation Office. If exercised, Funds SA would acquire the property. This put option may be exercised in January 2004.

Directors consider that, as at 30 June 2001, exercise of the options will be unlikely as forecasted valuations are higher than the respective exercise prices. Should any of the put options be exercised, the impact on Funds SA's net worth will be limited to the amount by which the property value falls below the exercise price.

At balance date an outstanding legal claim for damages existed with respect to a former tenant of a sold property. The claim is being disputed by Funds SA and consequently the outcome and any financial consequences are uncertain at this time.

18. Controlled Entities

Funds SA's share holdings in controlled entities are as follows:

Name of Entity	Ownership Percent
Carwell Pty Ltd	100
ASER Nominees Pty Ltd (<i>in liquidation</i>)	100
Funds SA Subsidiary Holding Corporation	100
Riverside Office Pty Ltd	100
Riverside Office Trust	100
Kantilla Pty Ltd	100
Narana Pty Ltd	100
Pipetch Pty Ltd	100
SILT Trust	100

The net market values of these companies have been consolidated into these financial statements.

Narana Pty Ltd, Carwell Pty Ltd, Kantilla Pty Ltd, Pipetch Pty Ltd and the Funds SA Subsidiary Holding Corporation were established to hold Funds SA's interest in a number of specific investments. As at 30 June 2001, Carwell Pty Ltd continues to hold Funds SA's residual equity interest in the remaining ASER entity listed above (in liquidation). Both Narana Pty Ltd and Kantilla Pty Ltd currently do not hold any investments. Pipetch Pty Ltd is the trustee company of the SILT Trust, which holds Funds SA's inflation linked investment in the Shell Australia Service Station Leases. This investment is reported in Note 7. The shares in Riverside Office Pty Ltd and the units in Riverside Office Trust are owned by Funds SA Subsidiary Holding Corporation.

19. Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash is considered to include cash on hand, cash at bank and investments in money market instruments, where such investments are considered to be part of the day to day cash management function. Such investments include 11am at call deposits and other deposits of very short duration, and bank bills.

Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to related items in the Statement of Net Assets as follows:

	2001 \$'000	2000 \$'000
Cash	28 954	80 124
Less: Net appreciation of assets	263	529
Short-term money market investments utilised in day to day cash management activities	28 691	79 595
Cash at bank	180	55
Cash as at 30 June reported in the Statement of Cash Flows	28 871	79 650

(b) Reconciliation of Net Cash used in Operating Activities to Net Investment Income

Net investment income reported in the Statement of Changes in Net Assets	175 745	778 777
Net (appreciation) depreciation of investments	(42 211)	(480 384)
Interest capitalised on inflation linked securities	(6 999)	(13 906)
Income realised by external investment managers, but not remitted	(140 738)	(108 166)
(Excess) of realisations over market values previously taken	(58 931)	(179 840)
Depreciation of fixed assets and provisions	67	275
Decrease (Increase) in investment related debtors	799	594
(Decrease) Increase in investment related creditors	(2 389)	(189)
Net Cash used in Operating Activities	(74 657)	(2 839)

For asset classes other than property, operating outgoings are normally minor and incidental in nature. Funds SA's directly held properties are managed by external agents who are responsible for the collection of rents and the payment of property outgoings. Funds SA receives payments from the managing agents representing the net cash income from the properties. For these reasons, items comprising Net Cash used in Operating Activities in the Statement of Cash Flows are presented on a net cash flow basis.

(c) Credit Facilities

A syndicate of international banks has made a bank bill facility available to Funds SA as a result of transactions associated with Funds SA's investment in a property in Hobart, Tasmania. The facility has been fully drawn down and does not provide any standby credit. Further reference to this facility may be found under Note 16.

20. Additional Disclosures with Respect to Financial Instruments

(a) Interest Rate Risk

Funds SA's investments are exposed to various risks from fluctuations in market interest rates, which can impact on both the net market values of and expected cash flows from those investments. Funds SA is not exposed to interest rate risk on any of its liabilities. The following table summarises interest rate risk exposure on investments:

(a) **Interest Rate Risk (continued)**

The following table summarises interest rate risk exposure on investments:

	Effective Interest Rate Percent	2001					Total \$'million
		Three months or Less \$'million	Over three to six months \$'million	Over six to twelve months \$'million	Over one to five years \$'million	More than five years \$'million	
Australian Fixed Interest:							
Commonwealth bonds	5.79	-	-	-	27.4	40.5	67.9
Semi-Government bonds	6.07	-	-	-	33.4	45.1	78.5
Corporate bonds	6.06	-	-	1.5	52.5	4.8	58.8
Inflation Linked - Internal:							
Corporate loans	4.09	-	-	-	-	95.3	95.3
Land and buildings	4.70	-	-	-	-	160.9	160.9
Indexed licence agreement	3.13	-	-	-	-	143.5	143.5
Inflation Linked - External:							
Commonwealth bonds	3.46	-	-	-	16.9	164.3	181.2
Semi-Government bonds	3.35	-	-	-	0.4	12.9	13.3
Corporate bonds	3.67	-	-	-	-	28.3	28.3
International Fixed Interest:							
United States	6.01	-	-	-	40.4	36.2	76.6
United Kingdom	5.69	-	-	-	6.2	4.0	10.2
European Community	5.30	-	-	-	1.7	8.6	10.3
Belgium	5.73	-	-	-	-	0.7	0.7
Germany	5.35	-	-	-	-	8.7	8.7
Finland	5.34	-	-	-	-	2.6	2.6
France	5.04	-	-	-	-	10.2	10.2
Italy	4.91	-	-	-	8.4	4.6	13.0
Spain	5.18	-	-	-	5.4	3.5	8.9
Japan	0.83	-	-	-	3.3	21.8	25.1
Discounted Securities:							
Bank bills (internal)	5.05	68.5	-	-	-	-	68.5
Bank bills (manager held)	5.02	16.0	32.3	-	-	-	48.3
US Bank bills (manager held)	3.51	2.0	0.1	-	-	-	2.1
Total		86.5	32.4	1.5	196.0	796.5	1 112.9

2000							
Australian Fixed Interest:							
Commonwealth bonds	6.07	-	-	-	41.7	86.8	128.5
Semi-Government bonds	6.41	-	-	-	81.8	79.9	161.7
Corporate bonds	6.75	-	-	2.6	65.6	26.3	94.5
Indexed Linked - Internal:							
Corporate loans	3.86	-	-	-	-	94.4	94.4
Land and buildings	4.37	-	-	-	-	161.6	161.6
Indexed licence agreement	3.16	-	-	-	-	144.2	144.2
Indexed Linked - External:							
Commonwealth bonds	3.33	-	-	-	-	108.3	108.3
Semi-Government bonds	3.15	-	-	-	3.7	28.2	31.9
Corporate bonds	3.59	-	-	-	-	9.8	9.8
Discounted Securities:							
Bank bills (internal)	6.16	63.5	-	-	-	-	63.5
Bank bills (manager held)	6.15	62.9	-	-	-	-	62.9
Total		126.4	-	2.6	192.8	739.5	1 061.3

(b) **Use of Derivatives**

Under the Regulations to the Act, the Treasurer of South Australia has authorised Funds SA to utilise derivative contracts for the purpose of the investment of funds or the management of portfolio risk.

Funds SA's external managers are empowered, pursuant to their respective investment management agreements, to enter into derivative contracts as part of their investment role. Derivative contracts may be used, for example, to provide efficient entry to or exit from markets or as a cost efficient substitute for the actual acquisition of securities. However, managers cannot gear the portfolio; that is, sufficient cash or assets must be maintained in the portfolio to support the liability underlying each contract.

Funds SA has engaged a manager to manage a static currency hedge against a strategic proportion of the international equities portfolio. The hedge is achieved by purchasing forward rate agreements to the required Australian dollar value with currencies matching the underlying country weighting in the Morgan Stanley Capital International (MSCI) Index. The purpose of the hedge is to remove the impact of currency movements from the proportion of the international equities portfolio being hedged.

The following table summarises Funds SA's external managers' use of derivative instruments:

Derivative Instrument:	2001	
	Principal Amount \$'000	Net Market Value \$'000
Futures - Australian fixed interest	22 442	50
Futures - International fixed interest	31 797	(149)
Futures - Share price index	35 866	263
Futures - Discount securities	38 346	(174)
Options - Australian exchange traded	39 820	9 153
Currency forward rate agreements	888 977	19 107
Total	1 057 248	28 250

(b) **Use of Derivatives (continued)**

Derivative Instrument:	2000	
	Principal Amount \$'000	Net Market Value \$'000
Futures - Australian fixed interest	20 050	51
Futures - Share price index	(1 505)	22
Options - Australian exchange traded	8 379	8 379
Currency forward rate agreements	889 596	11 661
	916 520	20 113

(c) **Currency Risk**

A number of Funds SA's external fund managers, particularly within the international equities sector fund, are permitted to invest in assets denominated in currencies other than the Australian dollar. The following table summaries Funds SA's risk associated with assets:

	2001 \$'000	2000 \$'000
United States, Dollar	1 130 090	1 228 217
Europe, Euro	307 833	167 137
Japan, Yen	189 304	139 266
United Kingdom, Pound	130 444	79 311
Switzerland, Franc	37 945	20 879
Sweden, Krona	31 688	19 725
Hong Kong, Dollar	22 608	12 860
Canada, Dollar	18 286	9 794
Singapore, Dollar	15 484	13 989
Norway, Krone	4 160	2 233
Denmark, Kroner	3 972	4 680
	1 891 814	1 698 091
Less: Amount effectively hedged	1 132 817	895 861
	758 997	802 230

(d) **Net Fair Values**

Financial instruments are stated in the financial statements at net market values as required by Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans.' The Directors are of the opinion that net market value provides a reasonable representation of the net fair values of financial instruments as required by Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.

21. **Financial Information of Funds Under Management**

Statements of Net Assets Under Management and Statements of Changes in Net Assets in respect of each of the public sector superannuation funds under the investment management of Funds SA are reported upon below, as required by section 26(2) of the Act. As indicated in Note 1, these statements report only upon the investment activities of the public sector superannuation funds under management, and not scheme administration activities. The Statements are numbered on the following pages as follows:

- (a) South Australian Superannuation Fund - Old and New Scheme Divisions
- (b) South Australian Superannuation Scheme - Employer Contribution Accounts
- (c) Police Superannuation Fund - Old and New Scheme Divisions
- (d) Police Superannuation Scheme - Employer Contribution Account
- (e) Southern State Superannuation Fund
- (f) Southern State Superannuation (Employers) Fund
- (g) Parliamentary Superannuation Scheme
- (h) Judges' Pension Scheme
- (i) Governors' Pension Scheme
- (j) Police Occupational Superannuation Scheme

(a) **South Australian Superannuation Fund**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 Old Scheme Division \$'000	2000 Old Scheme Division \$'000	2001 New Scheme Division \$'000	2000 New Scheme Division \$'000
Funds held at 1 July	1 232 461	1 040 408	312 576	255 681
Add: Receipts	-	50 414	19 650	12 368
Net investment earnings	38 677	176 039	10 493	44 777
Less: Payments	44 150	34 400	2 000	250
Funds held at 30 June	1 226 988	1 232 461	340 719	312 576

Statement of Net Assets under Management as at 30 June 2001

	2001 Old Scheme Division \$'000	2000 Old Scheme Division \$'000	2001 New Scheme Division \$'000	2000 New Scheme Division \$'000
Inflation linked securities	164 061	153 223	45 558	38 860
Property	115 874	105 130	32 177	26 663
Australian equities	453 335	429 848	125 885	109 018
International equities	434 479	468 501	120 649	118 821
Australian fixed interest	31 328	66 414	8 699	16 844
International fixed interest	31 093	-	8 634	-
Cash	6 698	20 177	1 860	5 117
Other assets	225	468	63	119
	1 237 093	1 243 761	343 525	315 442
Less: Liabilities	10 105	11 300	2 806	2 866
Net Assets	1 226 988	1 232 461	340 719	312 576

(b) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	1 350 941	910 036
Add: Receipts	108 650	368 513
Net investment earnings	45 907	264 042
Less: Payments	148 441	191 650
Funds held at 30 June	1 357 057	1 350 941

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	176 916	155 989
Property	124 953	107 027
Australian equities	488 856	437 609
International equities	468 522	476 958
Australian fixed interest	33 783	67 613
International fixed interest	33 529	-
Cash	7 223	20 541
Adelaide Plaza	33 770	96 860
Other assets	404	477
	1 367 956	1 363 074
Less: Liabilities	10 899	12 133
Net Assets	1 357 057	1 350 941

(c) Police Superannuation Fund

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 Old Scheme Division \$'000	2000 Old Scheme Division \$'000	2001 New Scheme Division \$'000	2000 New Scheme Division \$'000
Funds held at 1 July	235 801	205 503	8 836	6 968
Add: Receipts	100	350	850	650
Net investment earnings	7 479	34 348	304	1 243
Less: Payments	4 350	4 400	75	25
Funds held at 30 June	239 030	235 801	9 915	8 836

Statement of Net Assets under Management as at 30 June 2001

	2001 Old Scheme Division \$'000	2000 Old Scheme Division \$'000	2001 New Scheme Division \$'000	2000 New Scheme Division \$'000
Inflation linked securities	31 961	29 315	1 326	1 099
Property	22 573	20 114	937	754
Australian equities	88 314	82 241	3 663	3 082
International equities	84 641	89 636	3 511	3 359
Australian fixed interest	6 103	12 707	253	476
International fixed interest	6 058	-	251	-
Cash	1 305	3 860	54	144
Other assets	44	90	2	3
	240 999	237 963	9 997	8 917
Less: Liabilities	1 969	2 162	82	81
Net Assets	239 030	235 801	9 915	8 836

(d) **Police Superannuation Scheme - Employer Contribution Account**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	164 493	161 966
Add: Receipts	1 400	3 475
Net investment earnings	5 487	39 052
Less: Payments	9 800	40 000
Funds held at 30 June	161 580	164 493

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	21 065	18 993
Property	14 878	13 032
Australian equities	58 206	53 284
International equities	55 785	58 075
Australian fixed interest	4 023	8 233
International fixed interest	3 992	-
Cash	860	2 501
Adelaide Plaza	4 021	11 794
Other assets	48	58
	162 878	165 970
Less: Liabilities	1 298	1 477
Net Assets	161 580	164 493

(e) **Southern State Superannuation Fund**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	93 671	55 883
Add: Receipts	54 246	32 509
Net investment earnings	4 622	11 042
Less: Payments	7 671	5 763
Funds held at 30 June	144 868	93 671

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	12 229	8 224
Property	12 333	7 044
Australian equities	49 392	29 582
International equities	46 369	31 834
Australian fixed interest	12 341	16 140
International fixed interest	12 308	-
Cash	944	1 573
Other assets	29	33
	145 945	94 430
Less: Liabilities	1 077	759
Net Assets	144 868	93 671

(f) **Southern State Superannuation (Employers) Fund**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	1 377 206	1 092 593
Add: Receipts	132 975	119 526
Net investment earnings	55 568	179 327
Less: Payments	15 575	14 240
Funds held at 30 June	1 550 174	1 377 206

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	142 420	128 576
Property	130 098	102 443
Australian equities	514 088	426 595
International equities	475 973	456 432
Australian fixed interest	145 128	251 117
International fixed interest	144 770	-
Cash	8 768	22 626
Other assets	282	470
	1 561 527	1 388 259
Less: Liabilities	11 353	11 053
Net Assets	1 550 174	1 377 206

(g) **Parliamentary Superannuation Scheme**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	103 273	93 915
Add: Receipts	1 440	692
Net investment earnings	3 299	15 686
Less: Payments	2 610	7 020
Funds held at 30 June	105 402	103 273

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	14 093	12 839
Property	9 954	8 809
Australian equities	38 943	36 019
International equities	37 323	39 258
Australian fixed interest	2 691	5 565
International fixed interest	2 671	-
Cash	576	1 691
Other assets	19	39
	106 270	104 220
Less: Liabilities	868	947
Net Assets	105 402	103 273

(h) **Judges' Pension Scheme**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	84 868	78 702
Add: Receipts	750	26
Net investment earnings	2 712	13 120
Less: Payments	1 160	6 980
Funds held at 30 June	87 170	84 868

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	11 655	10 551
Property	8 232	7 239
Australian equities	32 207	29 600
International equities	30 867	32 261
Australian fixed interest	2 226	4 573
International fixed interest	2 209	-
Cash	476	1 390
Other assets	16	32
	87 888	85 646
Less: Liabilities	718	778
Net Assets	87 170	84 868

(i) **Governors' Pension Scheme**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	662	631
Add: Receipts	5	-
Net investment earnings	20	101
Less: Payments	35	70
Funds held at 30 June	652	662

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	87	82
Property	61	56
Australian equities	241	231
International equities	231	252
Australian fixed interest	17	36
International fixed interest	16	-
Cash	4	11
Other assets	-	-
	657	668
Less: Liabilities	5	6
Net Assets	652	662

(j) **Police Occupational Superannuation Scheme**

Statement of Changes in Net Assets for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
Funds held at 1 July	32 400	-
Add: Receipts	1 360	32 400
Net investment earnings	1 177	-
Less: Payments	-	-
Funds held at 30 June	34 937	32 400

Statement of Net Assets under Management as at 30 June 2001

	2001 \$'000	2000 \$'000
Inflation linked securities	4 554	3 741
Property	3 217	2 567
Australian equities	12 586	10 495
International equities	12 062	11 439
Australian fixed interest	870	1 622
International fixed interest	863	-
Cash	186	493
Adelaide Plaza	870	2 323
Other assets	10	11
	35 218	32 691
Less: Liabilities	281	291
Net Assets	34 937	32 400

DEPARTMENT OF TREASURY AND FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established under the *Public Sector Management Act 1995*.

Purpose

The Government, through the Treasurer and the Department of Treasury and Finance, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level;
- purchasing goods and services on behalf of taxpayers, whether produced by government providers or by private sector providers;
- owning a range of agencies and enterprises which in turn are providers of a wide variety of goods and services;
- providing a whole range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

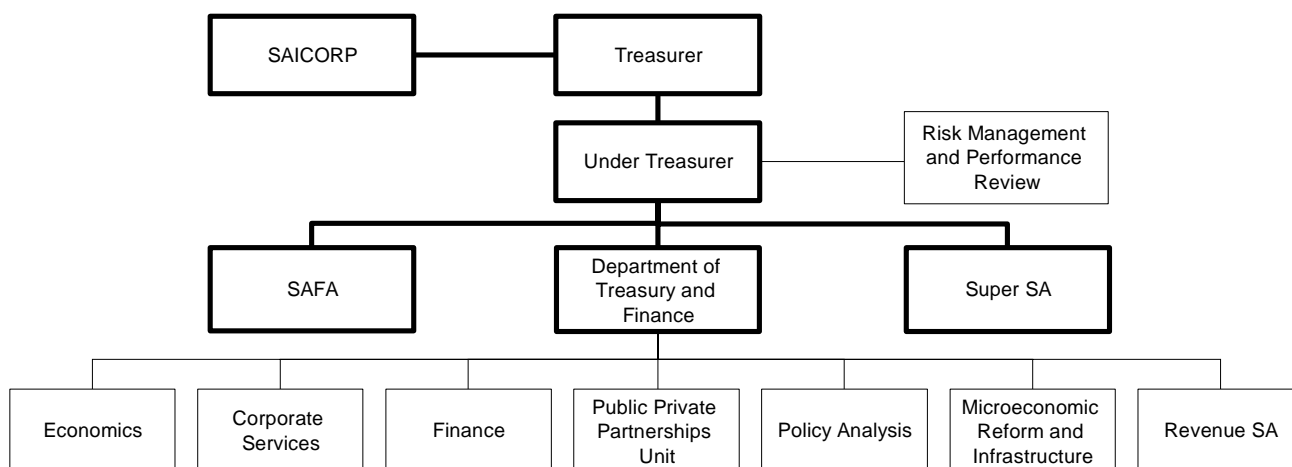
In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA;
- raising and managing the State's debt funding through the South Australian Government Financing Authority (SAFA);
- administering public sector superannuation through the State Superannuation Office;
- managing and insuring Government risk through the South Australia Government Captive Insurance Corporation (SAICORP).

The Department administers but does not control certain funds on behalf of the Treasurer. These funds are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have any discretion to deploy the resources for achievement of its own objectives. Further details are provided in the Schedule of Administered Expenses and Revenues and Note 22 'Other Administered Accounts' appearing in the Department's financial statements.

Economic Entity and Operational Structure of the Department of Treasury and Finance

The organisational structure of the Department and its relationship to the Treasurer and Under Treasurer is reflected in the following diagram:



A description of the functions and responsibilities of the respective branches, as they relate to Output Classes, is set out in Note 4 to the Department's financial statements.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

During the year the Department completed a restructure of its organisational and operating structure. This restructure process involved the establishment of three new branches:

- *Public Private Partnerships Unit* — is responsible for identifying opportunities and engaging private sector expertise to assist with the provision of quality and cost-effective services to meet Government priorities. This arrangement should allow for various risks to be allocated to the party best able to manage the risks effectively. A number of projects have been identified in the 2001-02 budget papers for further investigations as part of the Partnerships SA program.
- *Policy Analysis* — is responsible for the provision of strategic analysis of policy issues facing Government and development of appropriate policy frameworks and the evaluation of existing policy against these frameworks. In addition, the Policy Analysis Branch provides strategic whole-of-government analysis and advice on emerging policy issues in South Australia and the assessment of agencies' policy positions.
- *Microeconomic Reform and Infrastructure Unit* — provides advice on major market reforms and strategic issues relating to infrastructure requirements. This unit is also responsible for the management of electricity market reforms, including the development of a policy framework for the introduction of full retail competition in South Australia's electricity market.

SIGNIFICANT FEATURES

- Total expenses from ordinary activities remained relatively stable at \$58.2 million (\$58.8 million).
- Total revenues from ordinary activities decreased marginally by \$1.2 million to \$31 million.
- Cash increased by \$2.6 million to \$19.6 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 Department 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 environment.

The scope of audit and audit approach reflected the dichotomy in the nature of the Department's operations. The audit addressed those auditable areas which related to the coverage of the Department as an administrative unit and reporting entity in its own right and its role in furnishing the requisite financial information to ensure compliance with the *Public Finance and Audit Act 1987*. It also covered those areas where the Department assumes a position of influence and direction across the wider public sector and facilitates change processes, flowing from various policies and directives issued by the Treasurer.

As a result of this dual aspect of the Department's operations Audit appraises and monitors wider developments sourced from Department activities/initiatives. This is reflected in such areas as budget reform and whole-of-government financial reporting. Comments on issues arising from reviews of these areas appears in Part A of this Report.

In addition, the Department provided accounting, financial management, human resources services, administration and information technology services to the Department of the Premier and Cabinet under a Service Level Agreement.

An outline of the major areas of audit coverage under the relevant Department branch/responsibility area is provided hereunder:

Corporate Services

- Expenditure (including procurement, payment of accounts and salaries and related payments)
- Non-current assets
- Revenue/debtors
- Payments made under the Treasurer's line of the Treasurer's Statement
- Accounting and financial management reporting
- Computer processing environment
- Procurement reform
- Implementation of the Financial Management Framework
- Management of contracts and consultancies.

Finance Branch

- Budgetary reform
- Budgetary analysis
- Whole-of-government reporting.

RevenueSA

- Financial accounting and recording systems for tax collections
- Emergency Services Levy (ESL) collection system
- First Home Owners Grant applications and disbursements.

Insurance Services

Further commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Government Captive Insurance Corporation (SAICORP).

Superannuation Services

- Superannuation policy advice
- Administration of superannuation schemes.

Further commentary in respect of these activities is included in the section of Part B of this Report covering South Australian Superannuation Board.

Electricity Reform and Sales Unit

Further commentary in respect of these activities is included in the section of Part B of this Report relating to the unit.

Special Deposit Accounts Administered

- Financial accounting and reporting.

Public Finance and Audit Act 1987

- Compliance with appropriate legislation, Treasurer's Instructions and the accounting standards promulgated by the professional accounting bodies.
- Verification of the form and content of the Treasurer's Statements. Refer to the Appendix to Volume III of Part B of this Report.

Audit Communications to Management

During the year various letters communicating issues arising from the audit process were forwarded to the Department. The main issues related to the general computer processing environment and general financial controls. Satisfactory responses were received. Further details relating to general financial controls are contained in 'Audit Findings and Comments'.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the Department was assessed as satisfactory. Notwithstanding this, some internal control issues were noted and Audit suggestions were made to address those matters as the underlying principles were considered important. The following outlines some of the more salient issues.

Audit's review included attention to the matter of the Department's application of the principles of the Financial Management Framework (FMF), which took effect from 1 July 1998. Audit was satisfied that the Department had implemented the core principles, and noted that advancements had been made from the 1999-2000 financial year.

Corporate Services

Corporate Computer Processing Environment

The scope of the computer processing environment within the Department involved obtaining assurance in relation to the following areas:

- information resource strategy and planning
- information security
- business continuity planning.

Work with respect to other aspects of the computer processing control environment will be considered for review in future periods.

The following observations were made from the review performed:

- the business continuity plan was yet to be finalised, although Audit noted that a project to develop and implement the plan was underway at the time of audit.
- there was a lack of formal procedures in relation to modifying user access and monitoring logical security with a key application.
- the need for a strategic plan for addressing and prioritising outcomes of reviews performed on information security.

The response received from the Department in relation to these issues was positive and indicated that progress was occurring in relation to the above findings raised.

RevenueSA

The review of the RevenueSA internal control environment indicated that while existing systems of internal control were in general operating satisfactorily, particularly in relation to the raising of revenue/assessments, a number of issues warranted further action by management. Findings together with suggested actions to strengthen internal controls were detailed in a letter to RevenueSA for its consideration and comment.

In particular, attention was drawn to the following areas:

- *Stamp Duty* — A number of issues were raised with respect to the independent review or monitoring of transactions entered onto the system relating to deductions, cancellations and remissions. Discussions with RevenueSA officers indicated that a principal reason for these issues was the development and 'bedding down' of the State Taxation Assessing Returns System (STARS);
- *Emergency Services Levy* — Audit raised a number of issues associated with delays that were experienced in the monitoring and management of outstanding debts. Audit was advised that the main reason for this was delays in enhancements to the system with respect to debt management, as a number of other areas had been given priority in the establishment of the system;
- *Service Level Agreement* — Audit noted that the arrangement with the Attorney-General's Department for the collection of emergency service levies was not subject to a formal agreement clearly setting out the responsibilities of all parties.

A satisfactory response was provided to the matters raised by Audit.

Risk Management and Performance Review

Internal Audit

During the year Internal Audit continued to provide services to the Department and its associated branches.

The work performed by Internal Audit is, in part, sourced from external providers and findings emanating from their reviews are reported to the Under Treasurer and Risk Management and Audit Committee. All reports were the subject of formal management responses.

Reviews conducted during the year by Internal Audit, specifically relating to the Department included:

- implementation of the Hyperion Budget and Financial Management System (including reviews of data and system issues);
- revised review of Financial Management Framework (October 2000).

To determine the extent and nature of Audit procedures to be adopted having regard to internal audit work, Audit reviewed the relevant reports and correspondence from the Department, noting actions taken or otherwise proposed by the Department to address issues raised.

CONTROLS OPINION

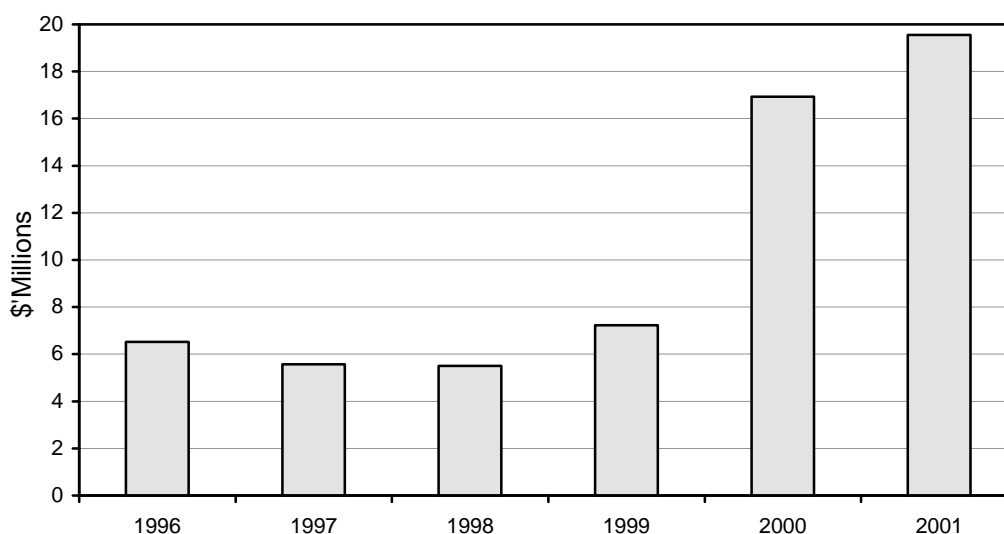
As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Treasury and Finance included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring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

Cash

During the year cash increased by \$2.6 million to \$19.6 million, and continues the recent accumulation of cash as follows:



The large increases over the past two years reflects the large net surpluses for those years. As a result of the increase in the cash balance, interest revenue (\$1.3 million) now represents a significant item in the Department's net cost of services.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES			
Employee costs	5(a)	32 357	31 017
Accommodation and service costs		4 734	5 216
Depreciation	6	2 117	2 325
Other expenses from ordinary activities	7	19 027	20 250
Total Expenses		58 235	58 808
REVENUE FROM ORDINARY ACTIVITIES			
User charges and fees	8(a)	27 274	29 548
Interest		1 301	527
Other revenue from ordinary activities	8(b)	2 443	2 176
Total Revenues		31 018	32 251
NET SURPLUS (COST) OF SERVICES FROM ORDINARY ACTIVITIES		(27 217)	26 557
REVENUES FROM GOVERNMENT			
Appropriation		29 457	33 056
Grants and subsidies	9	861	-
Total Revenues from Government		30 318	33 056
INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES		3 101	6 499
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		3 101	6 499

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash assets	10	19 557	16 925
Receivables	10,11	735	1 364
Other	12	360	328
Total Current Assets		20 652	18 617
NON-CURRENT ASSETS			
Property, plant and equipment	13	6 580	6 350
Total Non-Current Assets		6 580	6 350
Total Assets		27 232	24 967
CURRENT LIABILITIES			
Payables	10,14	2 328	3 468
Provision for employee entitlements	5(b)	2 020	2 125
Total Current Liabilities		4 348	5 593
NON-CURRENT LIABILITIES:			
Payables	10,14	725	611
Provision for employee entitlements	5(b)	5 311	5 016
Total Non-Current Liabilities		6 036	5 627
Total Liabilities		10 384	11 220
NET ASSETS		16 848	13 747
EQUITY:			
Retained surplus	15	16 848	13 747
TOTAL EQUITY		16 848	13 747
Commitments and Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2001

	2001	2000
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee costs	\$'000	\$'000
Accommodation and service costs	(32 028)	(29 536)
Other expenses from ordinary activities	(4 681)	(5 038)
GST payments on purchases	(19 774)	(19 935)
GST payments to taxation authority	(3 431)	-
Total Payments	(2 544)	-
RECEIPTS:		
User charges and fees	27 858	30 825
Interest	1 310	470
Other revenue from ordinary activities	2 123	2 176
GST receipts on receivables	3 487	-
GST receipts from taxation authority	2 358	-
Total Receipts	37 136	33 471
CASH FLOWS FROM GOVERNMENT:		
Appropriation	29 457	33 056
Grants and subsidies	861	-
Total Cash Flows from Government	30 318	33 056
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4 996	12 018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for Property, Plant and Equipment	(2 364)	(2 321)
Net Cash used in Investing Activities	(2 364)	(2 321)
NET INCREASE IN CASH HELD	2 632	9 697
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	16 925	7 228
CASH AT THE END OF THE FINANCIAL YEAR	19 557	16 925

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2001

	Output (Note 4)									Total	
		1.1	1.2	1.3	2.1	2.2	2.3	2.4	2.5	2001	2000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:											
Employee costs		1 961	5 834	859	13 473	2 595	4 520	905	2 210	32 357	31 041
Accommodation and service costs		182	941	481	1 895	365	564	157	149	4 734	5 147
Depreciation		32	425	35	751	401	445	11	17	2 117	2 325
Other expenses from ordinary activities		323	3 250	1 008	8 790	1 363	3 174	340	779	19 027	20 290
Total		2 498	10 450	2 383	24 909	4 724	8 703	1 413	3 155	58 235	58 803
REVENUES FROM ORDINARY ACTIVITIES:											
User charges and fees		19	928	1 957	7 632	4 420	8 864	1 381	2 073	27 274	29 979
Interest		90	277	37	852	-	-	-	45	1 301	527
Other revenue from ordinary activities		20	882	8	847	-	651	19	16	2 443	1 740
Revenue from government		1 729	7 806	644	19 314	-	10	-	815	30 318	33 056
Total		1 858	9 893	2 646	28 645	4 420	9 525	1 400	2 949	61 336	65 302
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES		(640)	(557)	263	3 736	(304)	822	(13)	(206)	3 101	6 499

The allocations to outputs are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of outputs for 2000-01 and have been allocated on a broad basis.

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

	Outputs (Note 4)	2001								Total	
		1.1 \$'000	1.2 \$'000	1.3 \$'000	2.1 \$'000	2.2 \$'000	2.3 \$'000	2.4 \$'000	Not Alloc. \$'000	2001 \$'000	2000 \$'000
ADMINISTERED EXPENSES:											
Consolidated Account:											
Operating:											
Payment for which specific appropriation is authorised in various Acts:											
Parliamentary salaries and allowances	-	-	-	-	-	-	-	-	199	199	188
Superannuation and pension provisions - Including ETSA	-	-	-	-	-	65 831	-	-	-	65 831	49 483
Other payments:											
Interest	-	-	-	-	479 407	-	-	-	-	479 407	647 585
Past services superannuation liability	-	-	-	-	-	94 000	-	-	-	94 000	-
Funding for targeted/voluntary separation package schemes	-	-	-	-	-	-	-	68 400	-	68 400	53 921
Other	-	-	39 072	109 177	7 448	6 869	7 000	379 688	-	549 254	385 337
Investing:											
Other payments:											
Other	-	-	-	-	-	-	-	-	2 333	2 333	17 494
Financing:											
Repayment of debt	-	-	-	-	10 887	-	-	-	-	10 887	13 376
Other administered accounts (refer Note 22)	-	24 267	2 631 457	127 058	-	69 923	-	188 308	-	3 041 013	2 974 023
Total	-	24 267	2 670 529	236 235	497 742	236 623	7 000	638 928	-	4 311 324	4 141 407
ADMINISTERED REVENUES:											
Consolidated Account:											
Operating:											
Taxation	-	-	-	1 877 495	-	-	-	-	-	1 877 495	2 380 277
Interest	-	-	-	-	154 763	-	-	-	-	154 763	159 569
Other receipts:											
Recoveries	-	376 087	-	-	-	-	-	99 434	-	475 521	526 636
Superannuation	-	-	-	-	-	66 320	-	-	-	66 320	49 681
Fees, fines and charges	-	18 765	-	-	-	-	5	1 092	-	19 862	25 186
Commonwealth specific purpose grants	-	-	-	-	7 198	-	-	36 805	-	44 003	27 262
Commonwealth general purpose grants	-	-	-	-	2 582 636	-	-	-	-	2 582 636	1 718 072
Investing:											
Other receipts:											
Other	-	-	-	-	2 024	-	-	-	-	2 024	848
Other Administered Accounts (Refer Note 22)	-	456	2 507 599	126 895	-	69 923	-	195 607	-	2 900 480	2 610 658
TOTAL	-	395 308	2 507 599	2 004 390	2 746 621	136 248	-	332 938	-	8 123 104	7 498 189
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	-	371 041	(162 930)	1 768 155	2 248 879	(100 375)	(7 000)	(305 990)	-	3 811 780	3 356 782

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Departmental Objectives**

The Department of Treasury and Finance aims to contribute to three major Outcomes. Associated with each outcome are a series of objectives to which the Department makes a significant or sole contribution.

The outcomes and associated objectives are as follows:

Improved State Economic Performance

- Establish medium to long term economic and fiscal policy to lift the State's economic performance and strengthen the State's finances;
- Ensure revenue is raised in an equitable manner, with least cost to economic efficiency, and in ways which are competitive with other jurisdictions and supportive of economic development;
- Ensure a fair and equitable share of Commonwealth funding for the State.

Strengthened State Finances

- Ensure sustainable outlays in aggregate over the long term, with no borrowings to meet current expenditure needs;
- Maintain and improve the Government's net worth over time while minimising risk exposure;
- Achieve the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances.

Improved Services

- Ensure client needs are integrated into the delivery of services;
- Ensure sustainable quality superannuation services are available to all public sector employees;
- Ensure comprehensive insurance protection of the State's finances and assets.

To achieve these objectives, Treasury and Finance delivers a number of outputs for the Government. The output information is summarised in Note 4.

2. **Summary of Significant Accounting Policies****(a) Financial Reporting Framework**

The financial report is a general purpose financial report.

(b) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

The Department 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 Disclosure' 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.

(c) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account entitled 'Department of Treasury and Finance Operating Account' and all other Funds through which the Department controls resources to carry out its functions. The Department's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Department administers but does not control, certain resources on behalf of the South Australia Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the South Australian Government. Administered resources are reported on an accrual basis with the exception of items processed through the Consolidated Account, which are on a cash basis.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable outputs schedules.

(d) User Charges and Fees

User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives. Such amounts are not required to be paid to the Consolidated Account or other funds not controlled by the Department.

User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Outputs Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by the Department.

(e) Appropriations

Appropriations, whether recurrent, capital, special or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(f) Non-Current Assets

All non-current assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. System development costs are capitalised once all costs associated with the development of the system have been incurred and the system is ready for its intended use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of non-current assets which have a total value greater than \$1 million are revalued every three years in accordance with the Treasurer's Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Buildings and improvements and furniture and fittings were revalued as at 30 June 1999 by Edward Rushton (Australia) Pty Ltd (refer Note 13).

(g) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Buildings and improvements	10
Furniture and fittings	10
Systems development	5
Office equipment	3

(h) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave 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.

(ii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

(iii) Superannuation

Contributions are made by the Department 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 only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(iv) Employment On-Costs

The liability for employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(i) Leases

The Department has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Operating Statement in the periods in which they are incurred.

(j) Cash Assets

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(k) Goods and Services Tax

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issue Group Abstract 31 (Accounting for the Goods and Services Tax [GST]). Input tax credits due from to the Australian Taxation Office are included in receivables.

The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payment 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.

(l) Comparative Figures

Where applicable, comparative figures have been adjusted to conform with changes in the current financial year.

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Restructure of Chart of Accounts

During the 2000-01 financial year, the Department undertook a major restructure of its Chart of Accounts and management reporting system. This process included the reclassification of some expense items to better reflect the nature of their costs in the Financial Statement categories. There was minimal effect on the Financial Statements as a result of this change.

4. Outputs of the Department

During 2000-01, the Department managed the delivery of eight outputs to the Treasurer and broader community within two output classes. Outputs are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each output of the Department during the year ended 30 June 2001 are summarised below (refer to the Output Schedule of Department's Expenses and Revenues).

Output Class 1: Ensuring Accountability for Public Sector Resources

This output class encompasses the outputs Treasury and Finance delivers in its role of managing the State's Finances through coordinating resource allocations for government programs and priorities at the whole-of-government level, providing financial and economic policy advice, and reviewing the performance of government businesses.

- Output 1.1 Policy Analysis and Advice*
Treasury and Finance provides economic policy advice at a whole-of-government level on a range of issues including revenue taxation policy, intergovernmental financial relations, gambling policy and economic conditions, national competition policy, and provision of strategic analysis and evaluation of major policy issues facing government.
- Output 1.2 Budget and Financial Management*
Treasury and Finance has a central role in managing the State Government finances through the annual Budget process and the provision of advice on a range of financial and commercial matters relating to government entities. This output includes: management of the State Budget process; provision of policy advice to government on whole-of-government budgetary and financial issues including financial risk management; monitoring and reporting of financial performance; providing commercial advice to government on its consolidated financial position; advice to government on budgetary and structural reform; and facilitation of best practice financial management reforms.
- Output 1.3 Microeconomic Reform*
Treasury and Finance undertakes asset reviews and sales with the objectives on minimising business risk and maximising return to the Government, implementing microeconomic reform and achieving ongoing debt reduction. This output covers the implementation of the Government's objectives for electricity market reforms and asset sales in the context of the national electricity market and the National Competition Policy.

Output Class 2: Financial Service Provision

This output class encompasses the outputs Treasury and Finance delivers in its role of providing a range of services to the Government and broader community including asset and liability management, collection of state taxes, and insurance and superannuation administration.

- Output 2.1 Revenue Collection and Management*
The Department, through RevenueSA, provides policy advice on taxation issues and the management of taxation legislation, revenue systems and compliance functions to enable the Government to raise revenue using its taxation powers. This output covers the provision of an efficient and effective tax revenue service that is fair and equitable to maximise its value to the Government and taxpayers.
- Output 2.2 Financing Services*
The Department through the South Australian Government Financing Authority, manages the existing stock of government liabilities and provides certainty of funding to the State. This allows the funding of acquisitions of capital goods necessary for the production of a wide range of public goods and services. This output also covers the provision of cash management and financial risk management advisory services to public organisations.
- Output 2.3 Superannuation Services*
The South Australian Superannuation Board is the statutory body responsible for administering the major superannuation schemes for public sector employees. As a branch of Treasury and Finance, the State Superannuation Office delivers this output by administering the schemes for the Board, under a service level agreement, as well as the superannuation arrangements for parliamentarians, judges and governors. The output also covers the provision of superannuation policy and legislative advice to the Board, the Under Treasurer and the Treasurer.
- Output 2.4 Insurance Services*
The Department is a provider of insurance to other government agencies through the South Australian Government Captive Insurance Corporation (SAICORP). SAICORP insures and reinsures government risks, and provides advice to the Government on issues relating to the insurance and management of those risks. This output ensures the protection of the State's finances from very large property losses or liability claims at competitive and stable premiums.
- Output 2.5 Business Support Services*
The Department provides a number of specialist services to the Government and external clients. These services include corporate services to clients external to the Department. This output also includes the provision of support staff to, and the management of, the Treasurer's Office.

Not Allocated

Certain items administered by the Department are not allocated to outputs.

5.	Employee Entitlements	2001	2000
	(a) Employee Costs	\$'000	\$'000
	Wages and salaries	23 766	24 221
	Superannuation and payroll tax expenses	4 843	4 544
	Annual and long service leave expenses	2 835	1 314
	Board fees ⁽¹⁾	78	127
	Other employee related expenses	835	811
		32 357	31 017
	(1) Represents fees paid to members of the South Australian Superannuation Board, SA Government Financing Authority Advisory Board and the Board of Directors of SAICORP.		
	(b) Provision for Employee Entitlements		
	Current Liabilities:		
	Annual leave	1 671	1 794
	Long service leave	349	331
		2 020	2 125
	Non-Current Liability:		
	Long service leave	5 311	5 016
		2001	2000
	(c) Number of Employees at End of Financial Year	Number	Number
		557	559
6.	Depreciation	2001	2000
	Depreciation was charged in respect of:	\$'000	\$'000
	Buildings and improvements	6	6
	Furniture and fittings	382	351
	Office equipment	193	156
	Systems development	1 536	1 812
		2 117	2 325
7.	Other Expenses from Ordinary Activities		
	General administration	12 124	11 016
	EDS charges	2 950	3 580
	Consultants	808	1 290
	Contractors	3 145	4 364
		19 027	20 250
8.	Revenues from Ordinary Activities		
	(a) User Charges and Fees Recovered from		
	Agencies for the provision of Corporate Services	2 132	1 578
	South Australian Government Captive Insurance Corporation	1 381	1 280
	South Australian Government Financing Authority	4 420	4 859
	Superannuation schemes	8 857	7 178
	Electricity Reform and Sales Unit Operating Account	1 952	4 248
	Emergency services levy	7 560	8 300
	Other recoveries for services	972	2 105
		27 274	29 548
	(b) Other Revenue from Ordinary Activities		
	Reimbursement for TVSPs paid	77	178
	Reimbursement for workers compensation claims	6	77
	Land agents enquiry fees	388	431
	Sundry items	1 972	1 490
		2 443	2 176
9.	Revenues from Government - Grant and Subsidies		
	The amount of \$861 000 relates to reimbursement by government of costs of implementing the GST incurred by the Department in 1999-2000 and 2000-01. The Treasurer directed that all Portfolios be funded in arrears for GST implementation costs incurred. Accordingly, funds were provided centrally by the Treasurer and transferred to agencies based on claims approved in accordance with the Treasurer's direction. All claims for reimbursement by the Department were processed in 2000-01.		
10.	Financial Instruments		
	The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.		
	(a) Terms, Conditions and Accounting Policies		
	(i) Financial Assets		
	• Cash on hand is available at call and is recorded at cost.		
	• Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.		
	(ii) Financial Liabilities		
	• The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.		
	• Creditors and accruals are raised for all amounts billed or ordered but unpaid.		
	• Sundry creditors are normally settled within 30 days.		

10. Financial Instruments (continued)

(b) Interest Rate Risk

Financial Instrument	2001			Weighted Average Effective Interest Rate Percent	2000			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:								
Cash	19 550	7	19 557	5.06	16 918	7	16 925	5.58
Receivables	-	735	735	-	-	1 364	1 364	-
	<u>19 550</u>	<u>742</u>	<u>20 292</u>		<u>16 918</u>	<u>1 371</u>	<u>18 289</u>	
Financial Liabilities:								
Payables	-	3 053	3 053		-	4 079	4 079	-
	<u>-</u>	<u>3 053</u>	<u>3 053</u>		<u>-</u>	<u>4 079</u>	<u>4 079</u>	

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

11. Receivables							2001 \$'000	2000 \$'000
Fees receivable							610	1 369
Less: Provision for doubtful debts							-	(5)
Net GST receivable							125	-
							<u>735</u>	<u>1 364</u>
12. Other Current Assets							360	328
Prepayments								
13. Property, Plant and Equipment								
Valuation at Current Cost and Historical Cost:				Building and Improvements \$'000	Furniture and Fitting \$'000	Office Equipment \$'000	Systems Development \$'000	Total \$'000
Balance at 30 June 2000				145	3 483	1 352	7 669	12 649
Additions				-	650	93	1 613	2 356
Disposals				-	-	(425)	-	(425)
Balance at 30 June 2001				<u>145</u>	<u>4 133</u>	<u>1 020</u>	<u>9 282</u>	<u>14 580</u>
Accumulated Depreciation:								
Balance at 30 June 2000				(119)	(2 004)	(836)	(3 340)	(6 299)
Disposals				-	-	416	-	416
Depreciation expense				(6)	(382)	(193)	(1 536)	(2 117)
Balance at 30 June 2001				<u>(125)</u>	<u>(2 386)</u>	<u>(613)</u>	<u>(4 876)</u>	<u>(8 000)</u>
Net Book Value:								
As at 30 June 2000				26	1 479	516	4 329	6 350
As at 30 June 2001				<u>20</u>	<u>1 747</u>	<u>407</u>	<u>4 406</u>	<u>6 580</u>

Valuations of asset classes greater than \$1 million, being buildings and improvements and furniture and fittings were determined as at 30 June 1999 by Mr A Corson (Certified Practising Valuer), of Edward Rushton (Australia) Pty Ltd Valuers.

Systems development reflects costs incurred in the design and development of in-house applications, including the development of the Budget Management System within Finance Branch and the Treasury Management System within SAFA and the Emergency Services Levy system within RevenueSA. It includes an amount of \$627 000 (\$79 000) for work in progress upon which depreciation will not be charged until the development is complete.

14. Payables							2001 \$'000	2000 \$'000
Current:								
Employee costs							766	761
Accommodation and service costs							75	23
General administration							1 137	1 972
Consultants							100	10
Unearned revenue							74	559
Purchases of non-current assets							134	143
Provision for workers compensation							25	-
Others							17	-
							<u>2 328</u>	<u>3 468</u>
Non-Current:								
Employee on-costs							628	604
Provision for workers compensation							90	-
Other borrowings							7	7
							<u>725</u>	<u>611</u>

15. Retained Surplus		2001	2000
		\$'000	\$'000
	Retained surplus at the beginning of the financial year	13 747	7 248
	Increase (Decrease) in net assets resulting from ordinary activities	3 101	6 499
	Retained Surplus at the Reporting Date	16 848	13 747
<hr/>			
16. Commitments For Expenditure and Contingent Liabilities			
(a) Operating Leases			
	At the reporting date, the Department's operating leases are for the lease of office accommodation and office equipment.		
	<ul style="list-style-type: none"> • Office accommodation is leased from the Real Estate Management business unit of the Department of Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging from five to eight years with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values or CPI. Rental is payable in arrears. • Office equipment leases are non-cancellable with rental payable in arrears. No contingent rental provisions exist within the lease arrangement and no options exist to renew the leases at the end of their term. 		
	For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$3 158 000.		
	<i>Operating Lease Commitments</i>	2001	2000
	Commitments under non-cancellable operating leases at the reporting date are payable as follows:	\$'000	\$'000
	Not later than one year	3 283	3 608
	Later than one year and not later than five years	6 880	9 576
	Later than five years	-	-
		10 163	13 184
<hr/>			
(b) Capital Commitments			
	The Department's capital expenditure are for software licence agreements.		
	These expenditures are payable:		
	Not later than one year	465	300
	Later than one year but not later than five years	-	-
	Later than five years	-	-
		465	300
<hr/>			
(c) Contingent Liabilities			
	The Department is not aware of any contingent liabilities or claims against the Department not accounted for in the Financial Statements		
17. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services from Ordinary Activities			
	Net cash provided by operating activities	4 996	12 018
	Less: Appropriation from government	(30 318)	(33 056)
	Non-cash items:		
	(Increase) Decrease in doubtful debts	5	-
	Depreciation expense	(2 117)	(2 325)
	Gain (Loss) on disposal of fixed assets	(8)	(43)
	Change in operating assets and liabilities:		
	Increase (Decrease) in receivables	(475)	(1 233)
	Increase (Decrease) in prepayments	32	(542)
	(Increase) Decrease in payables	858	(305)
	(Increase) Decrease in provision for employee entitlements	(190)	(1 071)
	Net Surplus (Cost) of Services from Ordinary Activities	(27 217)	(26 557)
<hr/>			
18. Remuneration of Employees		2001	2000
	The number of employees whose total employment cost was over \$100 000 fell within the following bands:	Number of	Number of
		Employees	Employees
	\$100 000 - \$109 999	11	16
	\$110 000 - \$119 999	7	5
	\$120 000 - \$129 999	4	2
	\$130 000 - \$139 999	1	3
	\$140 000 - \$149 999	3	1
	\$150 000 - \$159 999	3	5
	\$160 000 - \$169 999	1	-
	\$170 000 - \$179 999	1	-
	\$180 000 - \$189 999	-	1
	\$190 000 - \$199 999	-	1
	\$250 000 - \$259 999	1	-
		32	34
<hr/>			

The tables includes all employees who received remuneration of \$100 000 or more during the year. The total remuneration received by these employees for the year was \$4.108 million (\$4.199 million).

19. Payments to Consultants		2001	2000
	Payments to consultants fell within the following bands:	Number of Consultants	Number of Consultants
	\$0 - \$10 000	27	29
	\$10 001 - \$50 000	10	17
	\$50 001 - \$100 000	-	6
	\$150 001 - \$200 000	1	-
	\$200 001 - \$250 000	1	1
	Over \$250 000	1	1

The total payments to 40 (54) consultants engaged was \$935 000 (\$1 290 000). Of this amount \$808 000 (\$1 290 000) was met from operating expenses and \$127 000 (\$nil) was capitalised. It should be noted that 1999-2000 comparative expenditure on consultants was corrected from the amount shown in the 1999-2000 financial statements of \$1.082 million to \$1.290 million due to an incorrect classification.

20. Remuneration of Auditors		2001	2000
	Amounts received or due and receivable by the auditors with respect to the audit of the Department are:	\$'000	\$'000
	Auditing the Department's activities	337	319

21. Targeted/Voluntary Separation Package (TVSPs) Schemes		2001	2000
	Number of employees paid TVSPs	Number of Employees	Number of Employees
		1	3
	Amount paid to these employees:	\$'000	\$'000
	TVSP	77	178
	Accrued annual and long service leave	38	72
		115	250
	Amount recovered from the targeted/voluntary separation package schemes special deposit account	77	178

These amounts are included in the financial statement.

22. Other Administered Accounts	
The following deposit accounts established pursuant to section 8 of the <i>Public Finance and Audit Act 1987</i> are administered by the Department. Reflected below are a summary of revenues and expenses, and assets and liabilities of each administered item.	

	2001			
	Revenues	Expenses	Assets	Liabilities
Agency Provisions for Future Asset Replacements	-	-	7 499	7 499
Asset sales unit	456	24 267	2 161	-
BankSA Sale Account	-	-	446	-
Community Development Fund	19 500	19 500	-	-
Electricity Supply Industry Planning Council	1 260	1 852	817	267
Electricity Reform and Sales Unit	58 097	77 955	11 045	693
Emergency Services Levy	125 815	125 978	2 089	1 897
ETSA Sales/Lease Proceeds Account	2 445 794	2 550 151	16 882	512 054
Gaming Supervisory Authority	449	576	121	6
Gas Supply Option RFS	2 148	1 221	927	-
Home Purchases Assistance Account	380	380	863	863
Home Builders Account No. 2	967	967	-	-
Hospitals Fund	145 530	145 530	11 288	11 288
Local Government Disaster Fund	8 468	1 498	37 354	-
NEM Taskforce	300	278	139	117
SAAMC - Returns to the Treasurer	-	-	1 800	1 800
SAILR	3 190	2 734	2 512	1 628
Stony Point Indenture Account	4 516	4 516	23 514	23 514
Totalizator Dividend Adjustment Account	2 671	2 671	460	460
Treasury Working Account	80 939	80 939	613	613
Void Cheques	-	-	649	649
	2 900 480	3 041 013	121 179	563 348

Accounts of the South Australian Government Financing Authority, the South Australian Finance Trust Limited and the South Australian Government Captive Insurance Corporation established pursuant to the *Public Finance and Audit Act 1987* are not included. For further information on these accounts reference should be made to the financial statements of the South Australian Government Financing Authority and the South Australian Government Captive Insurance Corporation.

MINISTER FOR WATER RESOURCES

PORTFOLIO – WATER RESOURCES

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 for Water Resources.

The agencies included herein relating to the portfolio of Water Resources are:

- Catchment Water Management Boards
 - Northern Adelaide and Barossa Catchment Water Management Board
 - Onkaparinga Catchment Water Management Board
 - Patawalonga Catchment Water Management Board
 - River Murray Catchment Water Management Board
 - South East Catchment Water Management Board
 - Torrens Catchment Water Management Board

- Water Resources - Department for

CATCHMENT WATER MANAGEMENT BOARDS

STRUCTURE OF THIS SECTION OF THE REPORT

A number of Catchment Water Management Boards have been established under the *Water Resources Act 1997*.

To provide an understanding, and to assist with readability, this section of the Report has been structured with an Introduction followed by commentary with respect to each of the established Catchment Water Management Boards as at 30 June 2001.

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The objective of the *Water Resources Act 1997* (the Act) is to establish a system for the use and management of the water resources of the State:

- (a) *that ensures that the use and management of those resources sustain the physical, economic and social well being of the people of the State and facilitate the economic development of the State while –*
 - (i) *ensuring that those resources are able to meet the reasonably foreseeable needs of future generations;*
 - (ii) *protecting the ecosystems (including their biological diversity) that depend on those resources;*
- (b) *that, by requiring the use of caution and other safeguards, reduces to a minimum the detrimental effects of that use and management.*

As part of that system, the Act provides for the establishment of Catchment Water Management Boards, whose functions include:

- preparing and implementing catchment water management plans;
- providing advice to the Minister for Water Resources (the Minister) and councils in relation to the management of water resources in the Board's area;
- promoting public awareness of the importance of the proper management of water resources in the Board's area.

Each Board is a separate body corporate and an instrumentality of the Crown, and is subject to the control and direction by the Minister.

The Act requires each Board to prepare a draft catchment water management plan in relation to the water resources of its catchment area. The Act then requires the Minister to adopt the plan upon consultation with various bodies including:

- the Board;
- each of the constituent councils;
- the Local Government Association;
- the South Australian Water Corporation where the Corporation discharges water into a watercourse or lake catchment area of the Board.

Catchment Water Management Boards

In relation to the implementation of catchment water management plans, contributions are made towards the costs of the Board's operations in the form of levies on:

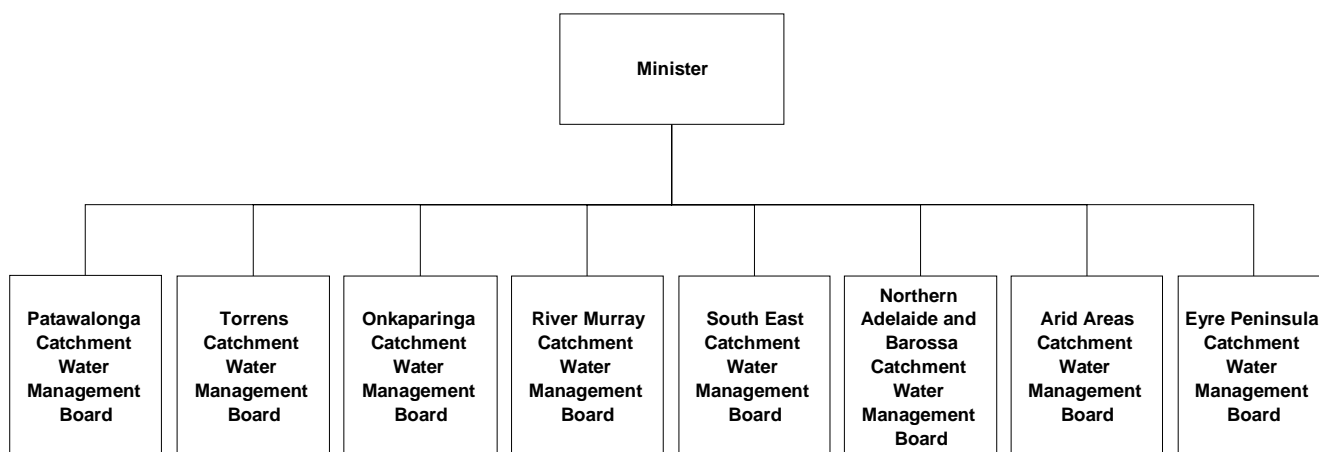
- water licences to take water from prescribed water courses, and/or;
- rateable land in the area of the Board.

Establishment of Boards

As at 30 June 2001, eight Catchment Water Management Boards have been established for the following catchment areas:

- Arid Areas
- Eyre Peninsula
- Northern Adelaide and Barossa
- Onkaparinga
- Patawalonga
- River Murray
- South East
- Torrens

The following diagram depicts the reporting relationships of the Board:



For the purpose of administrative support and cost effectiveness, the Patawalonga Catchment Water Management Board and the Torrens Catchment Water Management Board have agreed to share common office accommodation and administrative support systems. These Boards also provide financial services support to the Northern Adelaide and Barossa Catchment Water Management Board.

Each Board proclaimed under the Act is a separate reporting entity; as a consequence, separate financial statements are prepared for each Board.

The financial statements of six of the eight Boards (ie Northern Adelaide and Barossa, Onkaparinga, Patawalonga, River Murray, South East and the Torrens) have been included in this Report. With respect to the remaining Boards (ie Arid Areas and Eyre Peninsula) a brief summary of their operating activity is provided hereafter.

Arid Areas Catchment Water Management Board

The Arid areas Catchment Water Management Board was established in May 2000. During the year revenue comprised \$400 000 (\$410 000) in appropriation revenue from the State Government and \$27 000 (\$nil) interest income. Expenditure totalled \$247 000 (\$7 000) comprising employee costs of \$103 000 (\$5 000) and goods and services of \$144 000 (\$2 000). As at 30 June cash on hand and deposits amounted to \$590 000 (\$403 000).

Eyre Peninsula Catchment Water Management Board

The Eyre Peninsula Catchment Water Management Board was established in March 2001. During the year revenue comprised \$250 000 in appropriation revenue from the State Government and \$4 000 interest income. Expenditure totalled \$57 000 comprising employee costs of \$20 000 and goods and services of \$37 000. As at 30 June cash on hand and deposits amounted to \$199 000.

NORTHERN ADELAIDE AND BAROSSA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- The operating result was a surplus of \$598 000 (deficit of \$672 000).
- Cash assets increased by \$764 000 to \$1.3 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the 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 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

Revenues and Expenses

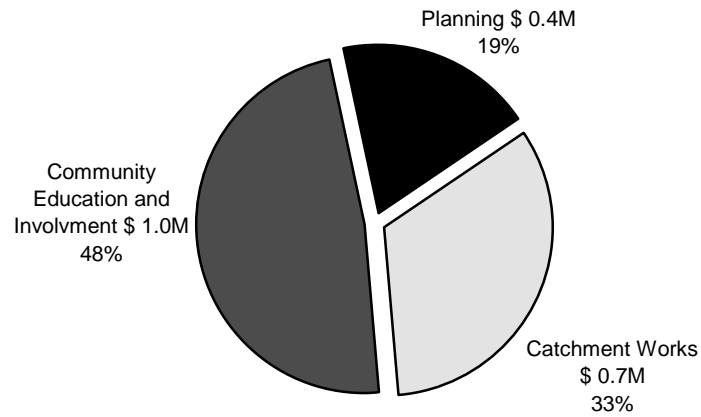
Constituent Councils provided contributions of \$2.0 million (\$1.7 million) to the Board in 2000-01. The contributions comprised 72 percent (59 percent) of the Board's revenues for the year.

Other income decreased by \$452 000 to \$115 000 mainly as a result of reduced funding from the Department for Water Resources on account of the completion in 1999-2000 of the bore water monitoring meter replacement program.

Expenditure on contractors decreased by \$928 000 to \$621 000 reflecting the completion in 1999-2000 of the program to replace bore water monitoring meters.

Expenditure on grants and subsidies decreased by \$408 000 reflecting the completion of the first stage of the Dry Creek Stream Rehabilitation in 1999-2000.

The following chart depicts the major expenditures of the Board in 2000-01.



Cash Assets

Cash assets increased by \$764 000 to \$1.3 million due mainly to delayed completion of catchment works being undertaken in partnership with Councils.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	1 976	1 700
Prescribed area levies		308	395
Interest received		53	63
Other contributions and grants		278	164
Other income		115	567
Total Revenues		2 730	2 889
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	2.4	317	250
Contractors	3	621	1 549
Consultants		225	372
Grants and subsidies		875	1 283
Depreciation	2.3,5	17	11
Other expenses		77	96
Total Expenses		2 132	3 561
OPERATING SURPLUS (DEFICIT)		598	(672)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		598	(672)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		1 334	570
Receivables	2.6	194	157
Prepayments		14	-
Total Current Assets		1 542	727
NON-CURRENT ASSETS:			
Plant and equipment	4	39	51
Total Non-Current Assets		39	51
Total Assets		1 581	778
CURRENT LIABILITIES:			
Payables	2.7,6	291	102
Provisions	7.1	20	13
Total Current Liabilities		311	115
NON-CURRENT LIABILITIES:			
Provisions	7.2	9	-
Total Non-Current Liabilities		9	-
Total Liabilities		320	115
NET ASSETS		1 261	663
EQUITY:			
Accumulated surplus	8	1 261	663
TOTAL EQUITY		1 261	663
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows for year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Council contributions		1 982	1 694
Prescribed area levies		349	341
Interest received		53	62
Other contributions and grants received		348	167
Other income received		26	567
Goods and services tax received		133	-
Outflows:			
Payments to suppliers, service providers, grantees and employees		(1 944)	(3 518)
Goods and services tax paid		(179)	-
Net Cash provided by (used in) Operating Activities	11.2	768	(687)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant and equipment		(4)	(1)
Net Cash used in Investing Activities		(4)	(1)
NET INCREASE (DECREASE) IN CASH HELD		764	(688)
CASH AT 1 JULY		570	1 258
CASH AT 30 JUNE	11.1	1 334	570

Northern Adelaide and Barossa Catchment Water Management Board

Output Class Schedule of Board's Expenses for the year ended 30 June 2001

	Output Class (Note 2.9)				2001	2000
		1	2	3	Total	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses		107	62	148	317	250
Contractors		343	99	179	621	1 549
Consultants		48	139	38	225	372
Grants and subsidies		189	97	589	875	1 283
Depreciation		6	3	8	17	11
Other expenses		25	15	37	77	96
		718	415	999	2 132	3 561

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Objectives and Funding****1.1 Establishment of Board**

The Northern Adelaide and Barossa Catchment Water Management Board was established on 28 December 1997 pursuant to the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1998. The Plan was reviewed during 2000-01, resulting in the Minister for Water Resources adopting amendments to the Plan's projected income and expenditure for the financial years 2001-03.

A new Catchment Water Management Plan for July 2001 to June 2006 was prepared during the year and adopted by the Minister for Water Resources on 22 March 2001.

1.2 Functions of the Board

The functions of the Board are:

- to prepare and implement a comprehensive Catchment Water Management Plan
- provision of advice to the Minister for Water Resources and constituent councils regarding water resources management in the Board's area
- promotion of public awareness of the importance of proper management and sustainable use of the water resources within the Board's area
- other functions as are assigned to the Board under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board (as contained in the Revised Initial Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

In accordance with the provisions of the Act, a water-based levy was declared in the Government Gazette on 29 June 2000.

The levy is set at the following rate according to whether the allocation is determined on a volumetric basis or an irrigation equivalent basis; where the water allocation on the licence is specified:

- as an annual volume in kilolitres for the Northern Adelaide Plains prescribed area, 0.5 cents per kilolitre on use and 0.5 cents per kilolitre on allocation;
- as an annual volume in kilolitres for the Barossa prescribed area, 1.0 cent per kilolitre on allocation or in Irrigation Equivalents, \$10 or \$50 per hectare Irrigation Equivalent (IE) or part thereof, depending on crop type.

The water-based levy is collected by the Department for Water Resources and forwarded to the Board.

2. Statement of Significant Accounting Policies**2.1 General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

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 changing money values or current valuations of non-current assets unless otherwise disclosed in these Notes.

Northern Adelaide and Barossa Catchment Water Management Board

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant and equipment over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.4 Employee Entitlements

Employer Superannuation

The Board contributed \$32 000 (\$27 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2001) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.5 Leases

The Board has no finance leases.

The Board has entered into operating lease agreements for premises and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$23 000 (\$18 000).

2.6 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

2.7 Payables

Trade Creditors

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

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

Northern Adelaide and Barossa Catchment Water Management Board

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified three major classes of outputs that it delivers to the community. The identity and description of each major output class of the Board during the year ended 2001 are summarised below (refer to the Output Class Schedule of Board's Expenses).

1. *Catchment Works*

The Board aims to improve catchment health and stream condition through the implementation of a broad range of on-ground initiatives. Catchment works include wetland development, installation of gross pollutant traps and watercourse rehabilitation.

2. *Planning*

Planning is required to ensure that future investments in catchment works are based on the best available information. Planning activities include the development of the comprehensive catchment water management plan, monitoring of water quality, grants for research and development.

3. *Community Education and Involvement*

Community awareness of water quality and quantity issues is vital in gaining widespread public support for, ownership of, and participation in improved catchment management. The Board's community education and involvement programs are part of a long term strategy aimed at building commitments which lead people to change their attitudes and behaviour for both community and individual benefit. Through promoting 'best practice' land and water management across every sector of the community, the Board's programs aim to reduce or prevent pollution at its source.

2.10 Accounting for Goods and Services Tax (GST)

In accordance with 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 Board as a purchaser that is not recoverable from the Australian Tax 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 Tax 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 cash flows arising from investing activities, which is recoverable from, or payable to the Australian Tax Office have however been classified as operating cash flows.

2.11 Reclassification of Financial Information

The Board has adopted the presentation and disclosure requirements of Treasurer's Accounting Policy Statement APS 13, 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.

2.12 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, watercourse rehabilitation, monitoring of water quality and production of community education material.

4. Plant and Equipment

	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	6		3	
Less: Accumulated depreciation	2		1	
		4		2
Furniture and fittings at cost	19		17	
Less: Accumulated depreciation	3		2	
		16		15
Computer equipment at cost	19		19	
Less: Accumulated depreciation	16		7	
		3		12
Office equipment at cost	14		14	
Less: Accumulated depreciation	5		3	
		9		11
Office leasehold improvements at cost	20		20	
Less: Accumulated depreciation	13		9	
		7		11
Total Plant and Equipment		39		51

Northern Adelaide and Barossa Catchment Water Management Board

5. Plant and Equipment Movement Schedule	Carrying	Additions	Disposals	Depreciation	Carrying
	Amount			Expense	Amount
	1.7.00				30.6.01
	\$'000	\$'000	\$'000	\$'000	\$'000
Display systems	2	3	-	1	4
Furniture and fittings	15	2	-	1	16
Computer equipment	12	-	-	9	3
Office equipment	11	-	-	2	9
Office leasehold improvements	11	-	-	4	7
	51	5	-	17	39

6. Payables	2001	2000
	\$'000	\$'000
Trade creditors	250	97
Other	41	5
Total	291	102

7. Provisions		
7.1 Current Provisions		
Provision for employee entitlements:		
Annual leave	20	13
7.2 Non-Current Provisions		
Provision for employee entitlements:		
Long service leave	9	-
	29	13

8. Accumulated Surplus		
Balance at 1 July	663	1 335
Operating surplus	598	(672)
Balance at 30 June	1 261	663

9. Expenditure Commitments		
9.1 Lease Commitments		
Operating Leases:		
Not later than one year	43	18
Later than one year and not later than five years	39	36
Total Operating Lease Commitments (including GST)	82	54

GST included in operating lease commitments

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The operating lease commitments comprise the following:

- a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of term of the lease.
- a computer lease which is non-cancellable. Rental is payable annually in advance and options exist to renew or cancel the lease at the end of the term of the lease.

9.2 Other Expenditure Commitments	2001	2000
	\$'000	\$'000
Not later than one year	1 376	259
Later than one year and not later than five years	176	-
Total Other Expenditure Commitments (including GST)	1 552	259

GST included in other expenditure commitments

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Several projects involving contracts and grants have been committed at 30 June 2001. The total commitment is \$1 552 000 (\$259 000) for projects including watercourse management, pollution prevention grants to Councils, irrigation best practice and best practice in pesticide use. This amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

10. **Contingent Liabilities**
The Board has no contingent liabilities.

11. **Note to the Statement of Cash Flows**
11.1 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 those investments that are able to be converted to cash within two working days.

Northern Adelaide and Barossa Catchment Water Management Board

11.2	Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Surplus (Deficit)	2001	2000
		\$'000	\$'000
	Operating surplus (deficit)	598	(672)
	Depreciation	17	11
	(Increase) - Receivables	(37)	(58)
	(Increase) Decrease - Prepayments	(14)	1
	Increase - Payables - Net of amounts accrued in relation to asset acquisition	188	22
	Increase - Provisions	16	9
	Net Cash provided by (used in) Operating Activities	768	(687)

12.	Auditors' Remuneration		
	Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report	11	11
	No other services were provided by the auditors.		

13.	Remuneration of Board Members		
	Members of the Northern Adelaide and Barossa Catchment Water Management Board during the financial year were:		
	Mr Peter Wall: Presiding Member		Mr Stephen Hains
	Dr Bruce Eastick		Mr Tim Jackson
	Mrs Pat Harbison		Mr Nick Pezzaniti
	Mrs Lesley Purdom		Mrs Pam Chapman
	Mr Ross Dawkins		

Total income received, or due and receivable, by Board Members and Members of two catchment management consultative committees was \$45 000 (\$50 000).

The number of Members whose income from the entity falls within the following bands is:	2001	2000
	Number of Members	Number of Members
\$0 - \$9 999	8	8
\$10 000 - \$19 999	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, one Board Member (Pam Chapman) did not receive any remuneration as this Member was an employee of the Government.

Related Party Disclosures

Four Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr Stephen Hains	City of Salisbury
Mr Tim Jackson	City of Playford
Mrs Lesley Purdom	City of Tea Tree Gully
Mr Ross Dawkins	Light Regional Council

During the year grants totalling \$527 000 were approved for the Councils of four Board Members, two employees, a Mayor and one councillor. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14.	Remuneration of Executives	2001	2000
	The number of Executive Officers whose remuneration from the Northern Adelaide and Barossa Catchment Water Management Board falls within the following bandwidth:	Number of Executive	Number of Executive
	\$100 000 - \$109 999	1	-

15.	Financial Instruments			
	Interest Rate Risk Exposure			
	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 in the following table:			
	Financial Assets:	Floating Interest Rate	2001 Non-Interest Bearing	Total Carrying Amount
		\$'000	\$'000	\$'000
	Cash assets	1 334	-	1 334
	Receivables and prepayments	-	208	208
		1 334	208	1 542
	Weighted average interest rate (percent)	5.06		
	Financial Liabilities:			
	Payables	-	(291)	(291)
		-	(291)	(291)
	Weighted average interest rate (percent)	-		
	Net Financial Assets (Liabilities)	1 334	(83)	1 251

Northern Adelaide and Barossa Catchment Water Management Board

Interest Rate Risk Exposure (continued)

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 in the following table:

	Floating Interest Rate \$'000	2000 Non- Interest Bearing \$'000	Total Carrying Amount \$'000
Financial Assets:			
Cash assets	570	-	570
Receivables and prepayments	87	70	157
	<u>657</u>	<u>70</u>	<u>727</u>
Weighted average interest rate (percent)	5.58		
Financial Liabilities:			
Payables	-	(102)	(102)
	<u>-</u>	<u>(102)</u>	<u>(102)</u>
Weighted average interest rate (percent)	-		
Net Financial Assets (Liabilities)	<u>657</u>	<u>(32)</u>	<u>625</u>

Reconciliation of Net Financial Assets to Net Assets

	2001 \$'000	2000 \$'000
Net financial assets as above	1 251	625
Non-financial assets and liabilities:		
Plant and equipment	39	51
Provisions	(29)	(13)
Net Assets per Statement of Financial Position	<u>1 261</u>	<u>663</u>

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

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

On-Statement of Financial Position Financial Instruments	2001		2000	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash assets	1 334	1 334	570	570
Receivables and prepayments	208	208	157	157
Financial Liabilities:				
Payables	(291)	(291)	(102)	(102)
Total	<u>1 251</u>	<u>1 251</u>	<u>625</u>	<u>625</u>

ONKAPARINGA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURE

The operating result was a surplus of \$137 000 (deficit of \$47 000).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the 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'.

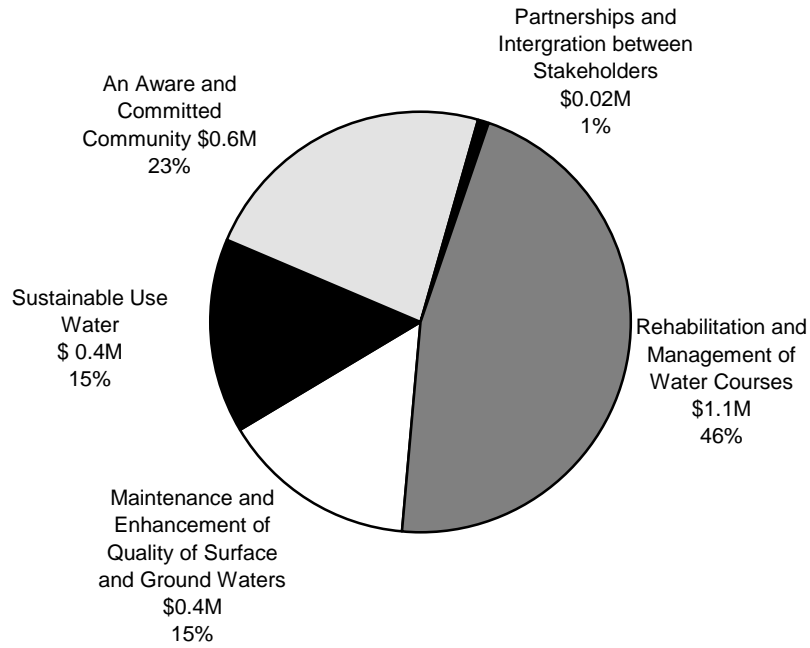
Audit formed the opinion that the controls exercised by the Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities were sufficient to provide reasonable assurance that the financial transactions of the organisation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

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Revenues and Expenses

Constituent Councils provided contributions of \$2 million (\$2 million) to the Board in 2000-01. The contributions comprised 79 percent (82 percent) of the Board's revenues for the year.

The following chart depicts the major expenditures of the Board in 2000-01.



Onkaparinga Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	2 025	2 040
Interest received		75	63
Grants		461	370
Other income		7	1
Total Revenues		2 568	2 474
EXPENSES FROM ORDINARY ACTIVITIES:			
Contractors	3	890	712
Grants and subsidies		541	558
Consultants		310	557
Employee expenses		306	299
Board fees and expenses	13	38	51
Depreciation		19	19
Other expenses		327	325
Total Expenses	4	2 431	2 521
OPERATING SURPLUS (DEFICIT)		137	(47)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		137	(47)

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		1 297	1 240
Receivables	2.6	247	172
Prepayments		-	3
Total Current Assets		1 544	1 415
NON-CURRENT ASSETS:			
Plant and equipment	5.6	84	92
Total Non-Current Assets		84	92
Total Assets		1 628	1 507
CURRENT LIABILITIES:			
Payables	2.7,7	228	251
Provisions	8	14	7
Total Current Liabilities		242	258
Total Liabilities		242	258
NET ASSETS		1 386	1 249
EQUITY:			
Accumulated surplus	9	1 386	1 249
TOTAL EQUITY		1 386	1 249
Commitments	10		
Contingent Liabilities	11		

Statement of Cash Flows for year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Council contributions		2 025	2 040
Grants received		461	355
Goods and services tax received		214	-
Interest received		76	61
Other income		7	1
Outflows:			
Payments to suppliers, service providers, grantees and employees		(2 464)	(2 383)
Goods and services tax paid		(250)	-
Net Cash provided by Operating Activities	15.2	69	74
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant and equipment		(12)	(43)
Net Cash used in Investing Activities		(12)	(43)
NET INCREASE IN CASH HELD		57	31
CASH AT 1 JULY		1 240	1 209
CASH AT 30 JUNE	15.1	1 297	1 240

Onkaparinga Catchment Water Management Board

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

1.1 Establishment of the Board

The Onkaparinga Catchment Water Management Board (the Board) commenced operation under the *Water Resources Act 1997* on 24 December 1997. The *Water Resources Act 1997*, came into operation on 2 July 1997 and provides for management and sustainable use of the State's water resources.

The Board commenced operation under an Initial Catchment Water Management Plan approved by the Minister for Environment and Heritage on 20 March 1998. A final Catchment Water Management Plan completed during the year was adopted by the Minister for Water Resources, pursuant to section 95 of the *Water Resources Act 1997*, on 1 December 2000.

In accordance with the *Water Resources Act 1997* an Annual Review was conducted during 2000-01. The review amended projected income and expenditure for the years 2001-02 to 2003-04 and was adopted by the Minister for Water Resources on 12 May 2001.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan.
- provide advice to the Minister for Water Resources and constituent councils regarding water resources management in the Board's area.
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.
- provide other services as assigned to the Board under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount contributed by councils was based upon the estimated expenditure of the Board (as contained in the 1999-2000 Annual Review) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by constituent Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5 of Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies

2.1 General

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurers Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

The Financial Statements have been prepared on an accrual basis 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 changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

Onkaparinga Catchment Water Management Board

2.3 Non-Current Assets*Depreciation*

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant and equipment assets, over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items.

The expected useful lives are as follows:

	Years
Display equipment	3
Computer equipment	5
Office equipment	8
Office furniture and fittings	20
Water monitoring equipment and gauging stations	25

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.4 Employee Entitlements*Employer Superannuation*

The Board contributed \$29 000 (\$23 000) in superannuation in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

No provision has been made for sick leave. Sick leave taken by employees is considered to be taken from the current year's accrual and, in consequence, no liability is recognised.

Long Service Leave

The benchmark used for determining long service leave is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. At reporting date, no employee had eight years of service.

Workers Compensation

The Board is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.5 Leases

The Board has no financial leases.

During the year the Board entered an operating lease agreement in relation to office premises where the lessors effectively retain all of the risks and benefits incidental to ownership of the property held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on this operating lease in 2000-01 was \$27 000.

2.6 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

2.7 Payables*Trade Creditors*

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

Other Payables

These amounts represent unpaid board fees, and other direct overheads on balance date.

2.8 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.9 Accounting for Goods and Services Tax (GST)

In accordance with 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 Board as a purchaser that is not recoverable from the Australian Tax 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.

Onkaparinga Catchment Water Management Board

2.9 Accounting for Goods and Services Tax (GST) (continued)

The net GST receivable/payable to the Australian Tax 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 cash flows arising from investing activities, which is recoverable from, or payable to the Australian Tax Office have however been classified as operating cash flows.

2.10 Reclassification of Financial Information

The Board has adopted the presentation and disclosure requirements of Treasurer's Accounting Policy Statement APS 13, 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.

2.11 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contract Expenditures

The Board utilised the services of a number of independent contractors during the year to undertake a variety of on-ground and other works on its behalf. These works included riparian rehabilitation such as erosion and weed control, revegetation work, removal of exotic plant species and water quality and hydrometric flow monitoring.

4. Output Class Schedule of Board Operating Expenses for the year ended 30 June 2001

Output Class	1	2	3	4	5	2001 Total	2000 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Expenses:							
Contractors	581	209	48	52	-	890	712
Grants and subsidies	50	99	123	269	-	541	558
Consultants	252	7	7	30	14	310	557
Employee expenses	110	20	86	86	4	306	299
Board remuneration and expenses	17	5	6	9	1	38	51
Depreciation	9	2	4	4	-	19	19
Other expenses	100	17	87	120	3	327	325
Total Expenses	1 119	359	361	570	22	2 431	2 521

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class. Outputs are defined as goods and services produced, provided to or acquired for external customers.

The identity and description of each Output Class of the Board during 2001 are summarised below:

Output 1 Rehabilitation and Management of Water Courses

The Board is implementing a watercourse action program in conjunction with relevant stakeholders including property plans, water for the environment as determined for the Onkaparinga River and coastal streams, riparian restoration works and floodplain mapping.

Output 2 Maintenance and Enhancement of Quality of Surface and Groundwaters

The Board is establishing revegetated buffer zones adjacent to watercourses, promoting best practice design and management of dams and EPA stormwater codes of practice. Creation of swales and wetlands are being prioritised in conjunction with other stakeholders. Septic and sewer audits are being completed and assistance programs prioritised. Re-use opportunities for treated wastewater are being investigated and surface and groundwater quality monitored. Databases are being developed for land use purposes and stormwater systems, and a contribution is being made to the Adelaide coastal waters study.

Output 3 Sustainable Use of Water

The Board is implementing the approved Water Allocation Plan. It is also facilitating re-use opportunities and monitoring flows through a network of gauging stations. Database development covering surface groundwater interaction, water balance model and requirements of local manufacturing industries are also being progressed. Progressive survey is being undertaken of location, quantity and quality of groundwater resources.

The Board is also working with other Catchment Water Management Boards to define non-market values and other economic factors associated with the water resource.

Output 4 An Aware and Committed Community

The Board is pursuing its goal of developing an aware and committed community through effective consultation and educational programs which promote environmental responsibility within the community and involve them in environmental issues. In delivering this goal the Board has a number of ongoing educational programs operating with community organisations, Local Government and industry. It also participates in joint educational programs with other Catchment Boards and Government Agencies. Activities include publications, web site, community projects assistance program and R&D.

Onkaparinga Catchment Water Management Board

4. Output Class Schedule of Board Operating Expenses for the year ended 30 June 2001 (continued)

Output 5 Partnerships and Integration between Stakeholders.

The Board contributes to the effective management of State Water Resources in conjunction with all stakeholders. In meeting this requirement, the Board has in place mechanisms to ensure appropriate consultation occurs in the decision making process and that appropriate partnerships are formed to gain maximum benefit from the available economic resources.

5. Plant and Equipment	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Office furniture and equipment at cost	115		106	
Less: Accumulated depreciation	43		27	
		72		79
Water monitoring equipment and gauging stations	13		13	
Less: Accumulated depreciation	1		-	
		12		13
Total Plant and Equipment		84		92

6. Asset Movement Schedule	2001			2000		
	Office Furniture and Equipment \$'000	Water Monitoring and Gauging Stations \$'000	Total \$'000	Office Furniture and Equipment \$'000	Water Monitoring and Gauging Stations \$'000	Total \$'000
Carrying value at 1 July	79	13	92	69	-	69
Additions	12	-	12	29	13	42
Disposals	(1)	-	(1)	-	-	-
Depreciation expenses	(18)	(1)	(19)	(19)	-	(19)
Carrying Value at 30 June	72	12	84	79	13	92

7. Payables	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Trade creditors	214		216	
Other payables	14		35	
Total	228		251	

8. Provisions	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Current Provisions:				
Provision for employee entitlements:				
Annual leave			14	7

9. Accumulated Surplus	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July		1 249		1 296
Add: Operating surplus (deficit) for the year		137		(47)
Balance at 30 June		1 386		1 249

10. Expenditure Commitments	2001		2000	
	\$'000	\$'000	\$'000	\$'000
10.1 Lease Commitments (Excluding GST)				
Operating Lease:				
Not later than one year			28	-
Later than one year and not later than five years			28	-
Aggregate Lease Expenditure Contracted for at Balance Date but not Provided for			56	-

Property lease commitments are non-cancellable with rental payments monthly in advance. Options exist to renew the lease at the end of the lease term.

10.2 Other Commitments (Excluding GST)	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Several projects in the form of contracts and grants had been committed at 30 June 2001:				
Not later than one year			568	-
Later than one year and not later than five years			149	-
			717	-

Projects include grants to councils, community assistance, riparian rehabilitation, revegetation work, water quality and hydrometrics flows in the catchment. This amount is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

The Board had no outstanding contractual commitments for capital works at balance date.

11. Contingent Liabilities
The Board has no contingent liabilities.

Onkaparinga Catchment Water Management Board

12. Auditors' Remuneration	2001	2000
	\$'000	\$'000
Amount due and receivable by the auditors for auditing the financial report	10	10
No other services were provided by the auditors.		

13. Remuneration of Board Members and Executives

13.1 Board Members Remuneration

Members of the Onkaparinga Catchment Water Management Board during the financial year were:

Mr Roger Goldsworthy: Presiding Member	Mr David Paschke
Mrs Anita Aspinall	Mr Michael Stafford
Mr Joch Bosworth	Mr Jeffery Tate (resigned June 2001)
Ms Lynn Chamberlain	
Mr Robert McLennan	

Total income received, or due and receivable, by Board Members and Members of two catchment management consultative committees was \$30 000 (\$41 000).

	2001	2000
	Number of	Number of
The number of Members whose income from the entity falls within the following bands are:	Members	Members
\$0 - \$9 999	7	8
\$10 000 - \$19 999	1	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, Robert McLennan, as a government employee, did not receive any remuneration from the Board during the year.

Mr Joch Bosworth elected not to receive fees as a Member of the Board.

13.2 Executive Officers' Remuneration:

Income due and receivable by executive officers of the Board whose income is \$100 000 or more:	2001	2000
	Number of	Number of
\$100 000 - \$109 999	Officers	Officers
	1	1

14. Related Party Disclosures

Two Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr David Paschke	Adelaide Hills Council
Mr Jeffrey Tate (to June 2001)	City of Onkaparinga

During the year grants totalling \$120 000 were approved for employers (or Councils where Board Members are elected members) of two Board Members. Schedule 2, clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

15. Note to the Statement of Cash Flows

15.1 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 those investments that are able to be converted to cash within two working days.

15.2 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (Deficit)

	2001	2000
	\$'000	\$'000
Operating surplus (deficit)	137	(47)
Depreciation	19	19
(Increase) - Receivables	(75)	(20)
Decrease - Prepayments	3	2
(Decrease) Increase - Creditors and accruals - Net of amounts accrued in relation to asset acquisition	(22)	122
Increase (Decrease) - Provisions	7	(2)
Net Cash provided by Operating Activities	69	74

Onkaparinga Catchment Water Management Board

16. Financial Instruments
Interest Rate Risk Exposure

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 in the following table:

	Floating Interest Rate \$'000	2001 Non- Interest Bearing \$'000	Total Carrying Amount \$'000
Financial Assets:			
Cash assets	1 297	-	1 297
Receivables and prepayments	4	243	247
	<u>1 301</u>	<u>243</u>	<u>1 544</u>
Weighted average interest rate (percent)	5.06		
Financial Liabilities:			
Payables	-	228	228
	<u>-</u>	<u>228</u>	<u>228</u>
Weighted average interest rate (percent)	-		
Net Financial Assets	1 301	15	1 316
	Floating Interest Rate \$'000	2000 Non- Interest Bearing \$'000	Total Carrying Amount \$'000
Financial Assets:			
Cash assets	1 240	-	1 240
Receivables and prepayments	5	170	175
	<u>1 245</u>	<u>170</u>	<u>1 415</u>
Weighted average interest rate (percent)	5.58		
Financial Liabilities:			
Payables	-	251	251
	<u>-</u>	<u>251</u>	<u>251</u>
Weighted average interest rate (percent)	-		
Net Financial Assets (Liabilities)	1 245	(81)	1 164
Reconciliation of Net Financial Assets to Net Assets		2001	2000
		\$'000	\$'000
Net financial assets as above		1 316	1 164
Non-financial assets and liabilities:			
Plant and equipment		84	92
Provisions		(14)	(7)
Net Assets per Statement of Financial Position		1 386	1 249

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

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

	2001		2000	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
On-Statement of Financial Position Financial Instruments				
Financial Assets:				
Cash assets	1 297	1 297	1 240	1 240
Receivables	247	247	175	175
Financial Liabilities:				
Payables	(228)	(228)	(251)	(251)
	<u>1 316</u>	<u>1 316</u>	<u>1 164</u>	<u>1 164</u>

PATAWALONGA CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- The operating result was a surplus of \$254 000 (\$511 000).
- Cash assets increased by \$312 000 to \$2.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the 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 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.

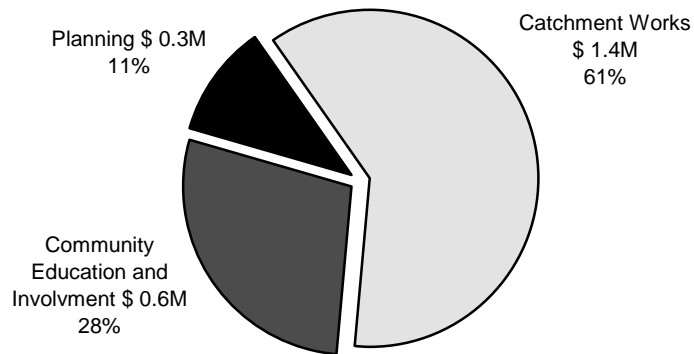
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Revenues and Expenses

Constituent Councils provided contributions of \$2.2 million (\$2.2 million) to the Board in 2000-01. The contributions comprised 89 percent (84 percent) of the Board's revenues for the year.

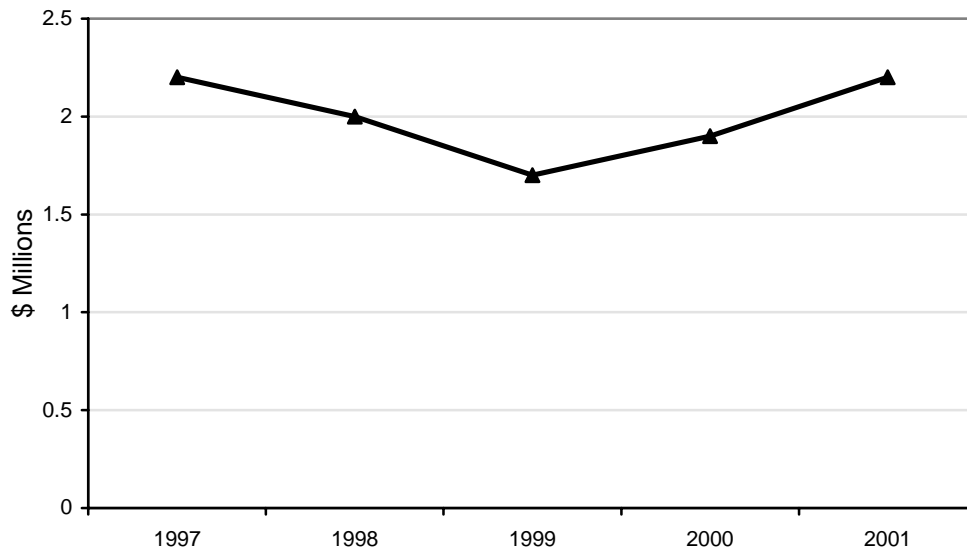
Expenditure on grants and subsidies increased by \$334 000 to \$776 000 due mainly to increased grants to Councils for the construction of gross pollutant traps (catchment works).

The following chart depicts the major expenditures of the Board in 2000-01.



Cash Assets

The following graph reflects the movement in cash assets over the last five years.



The increase in cash assets in 2000-01 is due to funds for the Morphettville Racecourse wetland which will be constructed in 2001-02.

Patawalonga Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	2 249	2 191
Interest received		119	78
Other contributions and grants		130	330
Other income		20	19
Total Revenues		2 518	2 618
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	2.5	194	183
Contractors	3	766	917
Consultants		362	399
Grants and subsidies		776	442
Depreciation	2.4,5	106	110
Other expenses		60	56
Total Expenses		2 264	2 107
OPERATING SURPLUS		254	511
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		254	511

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		2 199	1 887
Receivables	2.7	91	138
Prepayments		2	2
Total Current Assets		2 292	2 027
NON-CURRENT ASSETS:			
Plant, equipment and infrastructure assets	4	2 037	2 139
Work in progress		124	27
Total Non-Current Assets		2 161	2 166
Total Assets		4 453	4 193
CURRENT LIABILITIES:			
Payables	2.8,6	52	52
Provisions	7.1	23	19
Total Current Liabilities		75	71
NON-CURRENT LIABILITIES:			
Provisions	7.2	13	11
Total Non-Current Liabilities		13	11
Total Liabilities		88	82
NET ASSETS		4 365	4 111
EQUITY:			
Accumulated surplus	8	4 365	4 111
TOTAL EQUITY		4 365	4 111
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows for year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Council contributions		2 249	2 191
Interest received		119	75
Other contributions and grants received		238	217
Other income received		20	19
Goods and services tax received		131	-
Outflows:			
Payments to suppliers, service providers, grantees and employees		(2 147)	(2 097)
Goods and services tax paid		(193)	-
Net Cash provided by Operating Activities	11.2	417	405
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant, equipment and infrastructure assets		(105)	(199)
Net Cash used in Investing Activities		(105)	(199)
NET INCREASE IN CASH HELD		312	206
CASH AT 1 JULY		1 887	1 681
CASH AT 30 JUNE	11.1	2 199	1 887

Patawalonga Catchment Water Management Board

Output Class Schedule of Board's Expenses for the year ended 30 June 2001

	Output Class (Note 2.10)			2001	2000
	1	2	3	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	117	22	55	194	183
Contractors	478	145	143	766	917
Consultants	276	64	22	362	399
Grants and subsidies	371	20	385	776	442
Depreciation	102	1	3	106	110
Other expenses	36	7	17	60	56
	1 380	259	625	2 264	2 107

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Objectives and Funding****1.1 Establishment of Board**

The Patawalonga Catchment Water Management Board was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1995. The Board is currently operating under a Catchment Water Management Plan developed and adopted by the Board in April 1997. The Plan was reviewed during 2000-01, resulting in the Minister for Water Resources adopting amendments to the Plan's projected income and expenditure for the financial years 2001-04.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- ensure removal of solid or dissolved impurities from all catchment water within the Torrens catchment;
- ensure protection of all watercourses, channels and lakes and their ecosystems, within the Torrens catchment from degradation by pollutants and exotic plants and animals, and reversal of such degradation where it has occurred;
- determine financial or any other form of assistance to constituent councils, persons carrying on business, community groups or any other persons in an activity in the catchment area that will improve the quality of the catchment water;
- facilitate education of members of the public in relation to the management of catchment water and of catchments.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board (as contained in the Revised Initial Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies**2.1 General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

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 changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Patawalonga Catchment Water Management Board

2.2 Income Recognition (continued)

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Patawalonga and Torrens Catchment Water Management Boards have agreed to share administrative costs on a 40/60 basis.

2.4 Non-Current Assets

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and infrastructure assets over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Catchment water infrastructure assets	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.5 Employee Entitlements

Employer Superannuation

The Board contributed \$18 000 (\$16 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2001) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.6 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements for premises and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$29 000 (\$21 000).

2.7 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

2.8 Payables

Trade Creditors

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

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

Patawalonga Catchment Water Management Board

2.9 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.10 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified three major classes of outputs that it delivers to the community. The identity and description of each major output class of the Board during the year ended 2001 are summarised below (refer to the Output Class Schedule of Board's Expenses).

1. **Catchment Works**
The Board aims to improve catchment health and stream condition through the implementation of a broad range of on-ground initiatives. Catchment works include wetland development, installation of gross pollutant traps and watercourse rehabilitation.
2. **Planning**
Planning is required to ensure that future investments in catchment works are based on the best available information. Planning activities include the development of the comprehensive catchment water management plan, monitoring of water quality, grants for research and development.
3. **Community Education and Involvement**
Community awareness of water quality and quantity issues is vital in gaining widespread public support for, ownership of, and participation in improved catchment management. The Board's community education and involvement programs are part of a long term strategy aimed at building commitments which lead people to change their attitudes and behaviour for both community and individual benefit. Through promoting 'best practice' land and water management across every sector of the community, the Board's programs aim to reduce or prevent pollution at its source.

2.11 Accounting for Goods and Services Tax (GST)

In accordance with 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 Board as a purchaser that is not recoverable from the Australian Tax 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 Tax 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 cash flows arising from investing activities, which is recoverable from, or payable to the Australian Tax Office have however been classified as operating cash flows.

2.12 Reclassification of Financial Information

The Board has adopted the presentation and disclosure requirements of Treasurer's Accounting Policy Statement APS 13, 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.

2.13 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, gross pollutant traps and watercourse rehabilitation, monitoring of water quality and production of community education material.

4. Plant, Equipment and Infrastructure Assets

	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	50		50	
Less: Accumulated depreciation	34		27	
		16		23
Furniture and fittings at cost	15		15	
Less: Accumulated depreciation	4		3	
		11		12
Computer equipment at cost	6		6	
Less: Accumulated depreciation	4		3	
		2		3
Office equipment at cost	8		8	
Less: Accumulated depreciation	4		4	
		4		4
Office leasehold improvements at cost	9		9	
Less: Accumulated depreciation	9		8	
		-		1
Infrastructure assets at cost	2 398		2 394	
Less: Accumulated depreciation	394		298	
		2 004		2 096
Total Plant, Equipment and Infrastructure Assets		2 037		2 139

Patawalonga Catchment Water Management Board

5. Plant, Equipment and Infrastructure Assets Movement Schedule	Carrying	Additions	Disposals	Depreciation	Carrying
	Amount			Expense	Amount
	1.7.00				30.6.01
	\$'000	\$'000	\$'000	\$'000	\$'000
Display systems	23	-	-	7	16
Furniture and fittings	12	-	-	1	11
Computer equipment	3	-	-	1	2
Office equipment	4	-	-	-	4
Office leasehold improvements	1	-	-	1	-
Infrastructure assets	2 096	4	-	96	2 004
	2 139	4	-	106	2 037

6. Payables	2001	2000
	\$'000	\$'000
Trade creditors	33	34
Other	19	18
Total	52	52

7. Provisions		
7.1 Current Provisions		
Provision for employee entitlements:		
Annual leave	23	19
7.2 Non-Current Provisions		
Provision for employee entitlements:		
Long service leave	13	11
	36	30

8. Accumulated Surplus		
Balance at 1 July	4 111	3 600
Operating surplus	254	511
Balance at 30 June	4 365	4 111

9. Expenditure Commitments		
9.1 Lease Commitments		
Operating Leases:		
Not later than one year	37	27
Later than one year and not later than five years	129	20
Total operating lease commitments (including GST).	166	47
GST included in operating lease commitments	15	-

The operating lease commitments comprise the following:

- a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of the lease term.
- a computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the term of the lease.

9.2 Other Expenditure Commitments	2001	2000
	\$'000	\$'000
Not later than one year	1 166	779
Later than one year and not later than five years	4	-
Total other expenditure commitments (including GST)	1 170	779
GST included in other expenditure commitments	106	-

Approvals have been given for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects (\$1 170 000) are not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year. Subsequent to 30 June 2001, the Board committed itself to the construction of a major wetland involving funds of \$2 340 000.

10. **Contingent liabilities**
The Board has no contingent liabilities.

11. **Note to the Statement of Cash Flows**
11.1 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 those investments that are able to be converted to cash within two working days.

Patawalonga Catchment Water Management Board

11.2	Reconciliation of Net Cash provided by Operating Activities to Operating Surplus	2001	2000
		\$'000	\$'000
	Operating surplus	254	511
	Depreciation	106	110
	Decrease (Increase) - Receivables	47	(116)
	Decrease - Prepayments	-	1
	Increase (Decrease) -Payables - Net of amounts accrued in relation to asset acquisition	4	(108)
	Increase - Provisions	6	7
	Net Cash provided by Operating Activities	417	405
		417	405

12.	Auditors' Remuneration		
	Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report.	11	10
		11	10

No other services were provided by the auditors.

13. Remuneration of Board Members
Members of the Patawalonga Catchment Water Management Board during the financial year were:

Mr Lyndon Parnell: Presiding Member (reappointed 14.7.00)	Mr John Maitland
Mr Colin Haines	Mr Richard Crabb
Ms Helen Watts	Mrs Nura Redzepagic
Mr John Phillips	

Total income received, or due and receivable, by Board Members was \$39 000 (\$18 000). The position of Presiding Member was vacant during a large portion of 1999-2000, contributing to the increase in fees in 2000-01.

The number of Members whose income from the entity falls within the following bands is:

	2001	2000
	Number of	Number of
	Members	Members
\$0 - \$9 999	6	8
\$10 000 - \$19 999	1	-

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$1 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, one Board Member (Helen Watts) did not receive any remuneration as this Member was an employee of the Government.

Related Party Disclosures

Two Board Members have direct affiliations with Local Government Councils from which Council contributions are received by the Board. They are:

Mr Colin Haines	City of Marion
Mr Richard Crabb	City of Burnside

During the year grants totalling \$95 000 were approved for the Councils of two Board Members, one an employee, one a councillor. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14.	Remuneration of Executives	2001	2000
	The number of Executive Officers whose remuneration from the Patawalonga and Torrens Catchment Water Management Boards falls within the following bandwidth:	Number of	Number of
	\$110 000 - \$119 999	Executive	Executive
		1	-

Remuneration of the executive officer was shared with the Torrens Catchment Water Management Board on a 40/60 basis. Refer Note 2.3.

15.	Financial Instruments			
	Interest Rate Risk Exposure			
	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 in the following table:			
	Financial Assets:	Floating	2001	Total
		Interest	Non-	Carrying
		Rate	Bearing	Amount
		\$'000	\$'000	\$'000
	Cash assets	2 199	-	2 199
	Receivables and prepayments	91	2	93
		2 290	2	2 292
	Weighted average interest rate (percent)	5.06		
	Financial Liabilities:			
	Payables	-	52	52
		-	52	52
	Weighted average interest rate (percent)	-		
	Net Financial Assets (Liabilities)	2 290	(50)	2 240
		2 290	(50)	2 240

Patawalonga Catchment Water Management Board

Interest Rate Risk Exposure (continued)

	Floating Interest Rate	2000 Non-Interest Bearing	Total Carrying Amount
	\$'000	\$'000	\$'000
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 in the following table:			
Financial Assets:			
Cash assets	1 887	-	1 887
Receivables and prepayments	138	2	140
	<u>2 025</u>	<u>2</u>	<u>2 027</u>
Weighted average interest rate (percent)	5.58		
Financial Liabilities:			
Payables	-	52	52
	<u>-</u>	<u>52</u>	<u>52</u>
Weighted average interest rate (percent)	-		
Net Financial Assets (Liabilities)	<u>2 025</u>	<u>(50)</u>	<u>1 975</u>

Reconciliation of Net Financial Assets to Net Assets

	2001	2000
	\$'000	\$'000
Net financial assets as above	2 240	1 975
Non-financial assets and liabilities:		
Plant, equipment and infrastructure assets	2 161	2 166
Provisions	(36)	(30)
Net Assets per Statement of Financial Position	<u>4 365</u>	<u>4 111</u>

Net Fair Value of Financial Assets and Liabilities - On-Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

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

On-Statement of Financial Position Financial Instruments	2001		2000	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	2 199	2 199	1 887	1 887
Receivables and prepayments	93	93	140	140
Financial Liabilities:				
Payables	(52)	(52)	(52)	(52)
TOTAL	<u>2 240</u>	<u>2 240</u>	<u>1 975</u>	<u>1 975</u>

RIVER MURRAY CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURES

- Revenue from ordinary activities increased by \$646 000 to \$4.6 million.
- Grant expenditure totalled \$2.4 million.
- Payables decreased by \$1.6 million to \$538 000.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and the adequacy of internal controls.

The specific areas of audit attention included:

- accounting policies
- budgetary control and management reporting
- grant expenditure
- revenue, receipting and banking
- accounts payable
- salaries and wages.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager of the River Murray Catchment Water Management Board (the Board).

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Last year Audit commented on a number of matters concerning the control environment at the Board. During 2000-01, Audit observed that the Board had taken a number of measures to improve the control environment. However, Audit observed that there was room for improvement in the level of internal controls, particularly in relation to documenting policies and procedures and independent checking over certain activities.

The response from the Board satisfactorily addressed all matters raised.

Water-Based Levies

A major source of revenue for the River Murray Catchment Water Management Board is water-based levies that are declared by the Minister from time to time pursuant to the *Water Resources Act 1997*. These levies are initially collected and reported through systems operated by the Department for Water Resources.

Over the past few years Audit has raised concern over the adequacy of internal controls and resultant integrity of data within the Water Licensing System. These internal control weaknesses and integrity of data issues have resulted in prior years' financial reports for the Board being qualified with respect to water-based levies. During the year the Department for Water Resources completed an internal audit of information recorded in the Water Licensing System. The internal audit resulted in a number of adjustments to the information recorded such that water-based levies are now based on validated information. In addition the control environment over the Water Licensing System has improved. Consequently, Audit was able to provide an unqualified Independent Audit Report on the 2000-01 financial report. Further commentary is included under the Department for Water Resources elsewhere in this Report.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the River Murray Catchment Water Management 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 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

Revenues

Levies charged under the *Water Resources Act 1997* amounted to \$3.8 million, comprising \$1.8 million contribution from SA Water and \$2 million in water-based levies.

Water-based levies increased from \$1.7 million to \$2 million reflecting the increase in the levy rate per kilolitre of water allocation licensed to each irrigator. The levy rate increased to 0.35 cents per kilolitre from 0.30 cents per kilolitre, an increase of 17 percent.

Expenses

Grants paid amounted to \$2.4 million and comprised 62 percent of total expenditure. Of that amount \$2 million was paid for projects that are jointly funded with the Commonwealth of Australia relating to Natural Heritage Trust projects.

Current Liabilities

The decrease in payables of \$1.6 million from \$2.1 million to \$538 000 is mainly attributable to amounts payable relating to Natural Heritage Trust projects, which decreased by \$1.5 million to \$160 000.

River Murray Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Contribution from SA Water	1.3	1 800	1 800
Water-based levy	1.3	1 983	1 729
Interest		246	182
Grants	18	367	194
Other income		32	45
Transfer from Water Resources Levy Fund	4	168	-
Total Revenue		4 596	3 950
EXPENSES FROM ORDINARY ACTIVITIES:			
Salaries, wages and other employee related expenses	2.3	500	359
Supplies and services	3	872	932
Board and committee fees		65	62
Grants	5	2 390	2 584
Depreciation and amortisation	2.2,7	20	12
Total Expenses		3 847	3 949
SURPLUS FROM ORDINARY ACTIVITIES		749	1
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	16	749	1

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	2.5	1 710	2 914
Receivables	6	2 105	1 748
Prepayments	6	2	-
Total Current Assets		3 817	4 662
NON-CURRENT ASSETS:			
Plant and equipment	7	95	79
Total Non-Current Assets		95	79
Total Assets		3 912	4 741
CURRENT LIABILITIES:			
Payables	8	538	2 115
Lease liability	2.4, 10.1	-	3
Provisions	2.3, 9	15	12
Total Current Liabilities		553	2 130
NON-CURRENT LIABILITIES:			
Lease liability	2.4, 10.1	-	1
Total Non-Current Liabilities		-	1
Total Liabilities		553	2 131
NET ASSETS		3 359	2 610
ACCUMULATED FUNDS:			
Accumulated surplus	16	3 359	2 610
TOTAL ACCUMULATED FUNDS		3 359	2 610
Commitments	10		

River Murray Catchment Water Management Board

Statement of Cash Flows for year ended 30 June 2001

		2001 Inflows (Outflows)	2000 Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Contributions from SA Water		1 800	1 800
Water-based levy		1 964	1 425
Interest received		255	172
NHT project grants		367	165
Other income		59	41
GST receipts on revenue	2.9	241	-
GST receipts from Australian Taxation Office	2.9	266	-
Outflows:			
Payments to suppliers, service providers and employees		(5 403)	(2 379)
GST payments on purchases	2.9	(527)	-
GST payments to Australian Taxation Office	2.9	(185)	-
Net Cash (used in) provided by Operating Activities	17.2	(1 163)	1 224
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant and equipment		(36)	(25)
Principal repaid on lease liability		(5)	(2)
Net Cash Flows used in Investing Activities		(41)	(27)
NET (DECREASE) INCREASE IN CASH HELD		(1 204)	1 197
CASH AT 1 JULY		2 914	1 717
CASH AT 30 JUNE	17.1	1 710	2 914

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Establishment of the Board

The River Murray Catchment Water Management Board (the Board) commenced operation under the *Water Resources Act 1997* (the Act), which came into operation 2 July 1997. The Board was established 11 September 1997 and commenced operation under an Initial Plan approved by the Minister for Environment and Heritage. On 8 March 2001 the Minister for Water Resources changed the boundaries of the catchment area for which the Board is responsible to include the Mallee Prescribed Wells Area.

On 20 July 2001, the proclamation which established the River Murray Catchment Water Management Board was revoked pursuant to section 53(3) and (4) of the *Water Resources Act 1997*.

The new River Murray Catchment Water Management Board was established on 20 July 2001 pursuant to section 55 of the *Water Resources Act 1997*. All assets and liabilities of the old Board vest in or attach to the new Board.

1.2 Functions of the Board are:

- (a) to prepare and implement a catchment water management plan in accordance with the Act. This function was extended by proclamation on 8 March 2001 requiring the Board to undertake monitoring activities set out in the Water Allocation Plan adopted by the Minister for Water Resources on 21 December 2000 entitled 'Water Allocation Plan for the Mallee Prescribed Wells Area' and to implement the report prepared under section 121 of the Act entitled 'Resourcing of Groundwater Management in the Mallee Prescribed Wells Area of South Australia';
- (b) to provide advice to the Minister and the constituent councils in relation to the management of the water resources in the Board's area in accordance with the Act;
- (c) to promote public awareness of the importance of the proper management of water resources in the Board's area and of the sustainable use of those resources; and
- (d) such other functions as are assigned to the Board by or under the Act or any other Act.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from SA Water and irrigators within the proclaimed catchment area.

A Reticulated Water Supply Levy is charged to the users of reticulated water, at the rate of 1 cent per kilolitre. This levy is raised under the *Water Resources Act 1997*, paid by SA Water and distributed by the Department for Water Resources to the Board in equal instalments each half-year in December and June.

The water-based levy contributions are levied on a rate per kilolitre of water licensed to each irrigator, recreation and industrial licensed water users based on their licensed water allocation (0.35 cents per kl), (2000 0.3 cents per kl). All water-based levies are charged and collected by the Department for Water Resources, on behalf of the Board.

1.4 Employees

The General Manager (on secondment from the Department of the Premier and Cabinet) and eight permanent staff are engaged to undertake the work of the Board. Casual staff are engaged when required. Consultants are engaged to undertake specific projects.

River Murray Catchment Water Management Board

2. Statement of Significant Accounting Policies

2.1 General

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the Accounts.

The financial report is a general purpose financial report which has been prepared in accordance with the *Water Resources Act 1997*, 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 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 period to which they relate.

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

The River Murray Catchment Water Management Board 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 the 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 Non-Current Assets

Depreciation and Amortisation

Depreciation is provided on a straight line basis on all plant and equipment and infrastructure assets and is calculated to allocate the value of the assets against revenue over their estimated useful lives. The rates used for each class of asset are:

Furniture	Percent 10 and 20
Computer and related equipment	20
Leased plant and equipment	20

2.3 Employee Entitlements

Employer Superannuation

The Board contributed \$48 000 (\$39 000) to superannuation in respect of employees and Board members for the financial year.

Annual Leave

A provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

No provision has been made for sick leave as entitlements are non vesting and it is considered that sick leave is taken from the employee's entitlement.

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. Two members of staff have an entitlement to Long Service Leave as a result of specific provisions under employment contracts.

2.4 Leases

Leases of fixed assets, where the Board has retained substantially all the risks and benefits incidental to ownership of the asset, 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 residual values. Leased assets are amortised over five years (refer Note 10.1).

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred (refer Note 10.2).

2.5 Cash and Bank Balances

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 5.77 percent (4.96 percent).

2.6 Receivables

Receivables in respect of fees and charges 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 provision for doubtful debts. The resulting carrying amount of receivables is considered to approximate their net fair values.

The Board 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.

2.7 Trade Creditors

Trade creditors are unsecured debts, recognised in the financial statements when contracted goods or services have been received by the Board. These debts generally are settled within 30 days of invoice.

River Murray Catchment Water Management Board

2.8 Revenue Recognition

All revenue recorded in the Statement of Financial Performance including contributions, levies, grants and other income is recognised when the Board obtains control over the assets arising from those revenues. Contributions from SA Water and water-based levies recognition is in accordance with the requirements of the *Water Resources Act 1997*. Grants and other income recognition is in accordance with relevant agreements. Where no agreement exists revenue is recognised when cash is received.

2.9 Goods and Services Tax (GST)

In accordance with 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 Board as a purchaser that is not recoverable from the Australian Tax Office is recognised as part of the cost of acquisition of an asset or as part of an item of expenses; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Tax 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 cash flows arising from investing activities, which is recoverable from, or payable to the Australian Tax Office have however been classified as operating cash flows.

3. Services and Supplies	2001	2000
	\$'000	\$'000
Accounting	22	24
Advertising	26	8
Audit	15	20
Consultancies	306	551
Contractors	108	7
Motor vehicle expenses	46	24
Office rent	27	24
Other expenditure	165	206
Postage, printing and stationery	73	13
Telephone	32	24
Travel and accommodation	52	31
Total Services and Supplies	872	932

4. Mallee Prescribed Wells Area

In June 2001, the balance of the Water Resources Levy Fund relating to the Mallee Prescribed Wells Area was transferred to the Board under direction from the Minister for Water Resources.

5. NHT Murray Darling 2001

Grant expenditure is recognised when there is an obligation to pay an external party under an agreement.

Murray Darling 2001*	2 032	2 448
Other grants	358	136
Total	2 390	2 584

* An agreement was entered into between the Commonwealth of Australia and the State of South Australia for the delivery of the objectives of the Natural Heritage Trust and any associated programs. The Murray Darling 2001 program comprises part of these activities.

Under the arrangements, any State funding provided to approved projects is matched by the Commonwealth. During 2000-01 the Board contributed to the funding of 49 projects (69 projects) associated with water management issues in the Murray Catchment Area.

6. Receivables and Prepayments		2001	2000
	Note	\$'000	\$'000
Water-based levy contributions receivable at balance date		117	140
Provision for doubtful debts		(14)	(14)
		103	126
Accounts receivable from:			
Department for Water Resources	1.3	1 615	1 573
Other accounts receivable		387	49
Prepayments		2	-
Total Receivables and Prepayments		2 107	1 748
7. Plant and Equipment			
Office equipment, furniture and fittings at cost		141	93
Accumulated depreciation		(46)	(20)
		95	73
Capitalised leased asset		-	13
Accumulated amortisation		-	(7)
		-	6
Total Plant and Equipment		95	79

River Murray Catchment Water Management Board

7.	Plant and Equipment (continued) <i>Property, Plant and Equipment Movement Schedule</i>	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right;">Furniture and Fittings \$'000</th> <th style="text-align: right;">Computer and Related Equipment \$'000</th> <th style="text-align: right;">Leased Plant \$'000</th> <th style="text-align: right;">Total \$'000</th> </tr> </thead> <tbody> <tr> <td>Gross Carrying Amount:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Balance as at 30 June 2000</td> <td style="text-align: right;">64</td> <td style="text-align: right;">28</td> <td style="text-align: right;">13</td> <td style="text-align: right;">105</td> </tr> <tr> <td>Additions</td> <td style="text-align: right;">2</td> <td style="text-align: right;">34</td> <td style="text-align: right;">-</td> <td style="text-align: right;">36</td> </tr> <tr> <td>Transfer of leased assets</td> <td style="text-align: right;">13</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(13)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Balance as at 30 June 2001</td> <td style="text-align: right;">79</td> <td style="text-align: right;">62</td> <td style="text-align: right;">-</td> <td style="text-align: right;">141</td> </tr> <tr> <td>Accumulated Depreciation:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Balance as at 30 June 2000</td> <td style="text-align: right;">16</td> <td style="text-align: right;">3</td> <td style="text-align: right;">7</td> <td style="text-align: right;">26</td> </tr> <tr> <td>Depreciation expense</td> <td style="text-align: right;">6</td> <td style="text-align: right;">11</td> <td style="text-align: right;">3</td> <td style="text-align: right;">20</td> </tr> <tr> <td>Transfer of leased assets</td> <td style="text-align: right;">10</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(10)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Balance as at 30 June 2001</td> <td style="text-align: right;">32</td> <td style="text-align: right;">14</td> <td style="text-align: right;">-</td> <td style="text-align: right;">46</td> </tr> <tr> <td>Net Book Value:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>As at 30 June 2000</td> <td style="text-align: right;">48</td> <td style="text-align: right;">25</td> <td style="text-align: right;">6</td> <td style="text-align: right;">79</td> </tr> <tr> <td>As at 30 June 2001</td> <td style="text-align: right;">47</td> <td style="text-align: right;">48</td> <td style="text-align: right;">-</td> <td style="text-align: right;">95</td> </tr> </tbody> </table>		Furniture and Fittings \$'000	Computer and Related Equipment \$'000	Leased Plant \$'000	Total \$'000	Gross Carrying Amount:					Balance as at 30 June 2000	64	28	13	105	Additions	2	34	-	36	Transfer of leased assets	13	-	(13)	-	Balance as at 30 June 2001	79	62	-	141	Accumulated Depreciation:					Balance as at 30 June 2000	16	3	7	26	Depreciation expense	6	11	3	20	Transfer of leased assets	10	-	(10)	-	Balance as at 30 June 2001	32	14	-	46	Net Book Value:					As at 30 June 2000	48	25	6	79	As at 30 June 2001	47	48	-	95
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Catchment Water Management Boards

River Murray Catchment Water Management Board

14. **River Murray Catchment Water Management Board**

Members of the River Murray Catchment Water Management Board during the financial year were:

Mr Jeffrey W Parish	Mr Peter B Arnold
Mr James McColl (resigned 10.04.2001)	Mr Raymond R McDonald
Mr Guy Boothby	Mr Ian Kroehn
Mr Peter Norman	Mrs Joanne L Pfeiffer
Mr William R Paterson	

15. Consultant Fees	Particulars	2001 \$'000	2000 \$'000
Below \$10 000:			
Redpath Technical Services	Aerial Photography of EMLR	5	-
QED Pty Ltd	Water Allocation - River Murray	4	-
\$10 000 - \$50 000:			
Central Irrigation Trust	Irrigation efficiency Murray-Darling	44	-
Planning SA	Geographic Information System	-	25
QED Pty Ltd	Communication and Education strategy	15	-
URS Australia	Review of Board funded projects	45	-
Above \$50 000:			
Australia Water Environment	Water Allocation Plan – Angus Bremer	34	81
	Assess salinity impacts from Wetlands	16	-
Sinclair Knight Merz	Water Allocation Plan – River Murray	20	96
	Noora Prescribed Wells Water – Allocation Plan	3	28
	Preparation of Board Water Plans	24	-
	Wetlands Enhancement and Flow management	21	-
	Catchment Water Management Plan Stage 2	75	219
Michels Warren	Information and Publication	-	50
Michels Warren	Community Awareness	-	52
Total		306	551

16. **Statement of Accumulated Surplus**

Opening balance accumulated surplus	2 610	2 609
Surplus for the period	749	1
	3 359	2 610

17. **Statement of Cash Flows**

17.1 **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 those investments that are able to be converted to cash within two working days.

17.2 **Reconciliation of Net Cash provided by (used in) Operating Activities to Operating Surplus**

Operating surplus (deficit)	749	1
Depreciation and amortisation	20	12
Loss on write off of computers	-	3
(Increase) - Receivables and prepayments	(358)	(341)
(Decrease) Increase - Trade creditors and accruals	(1 576)	1 549
Increase - Provisions	2	-
Net Cash (used in) provided by Operating Activities	(1 163)	1 224

18. **Grants Received**

River Murray Catchment Communications and Education Strategy	-	40
Development of a strategy for decision making for Wetlands enhancement for the River Murray	28	85
Quantification of Environmental Flows for Ephemeral Streams in the Eastern Mt Lofty Ranges	69	69
Irrigation efficiency	215	-
Department for Water Resources and Renmark to Border LAP	55	-
Total	367	194

19. **Restrictions on Contributions Received**

The Board receives contributions from various funding sources for the purpose of undertaking specific projects. Unspent funds as at 30 June 2001 will be fully expended by 30 June 2002.

	2001 Unspent Amount \$'000	2000 Unspent Amount \$'000
River Murray Catchment Communications and Education Strategy	-	26
Development of a strategy for decision making for Wetlands enhancement for the River Murray	83	85
Quantification of Environmental Flows for Ephemeral Streams in the Eastern Mt Lofty Ranges	131	69
Irrigation efficiency	162	-
Department for Water Resources and Renmark to Border LAP	39	-
Total	415	180

SOUTH EAST CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURE

Total expenditure increased by \$410 000 to \$1.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and the adequacy of internal controls.

The specific areas of audit attention included:

- accounting policies
- budgetary control and management reporting
- grant expenditure
- revenue, receipting and banking
- accounts payable
- salaries and wages.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the South East Catchment Water Management Board (the Board).

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Last year Audit commented on a number matters concerning the control environment at the Board. During 2000-01, Audit observed that the Board had taken a number of measures to improve the control environment. However, Audit observed that there was room for improvement in the level of internal controls, particularly in relation to documenting policies and procedures and independent checking over certain activities.

The response from the Board satisfactorily addressed all matters raised.

Water-Based Levies

A major source of revenue for the South East Catchment Water Management Board is water-based levies that are declared by the Minister from time to time pursuant to the *Water Resources Act 1997*. These levies are initially collected and reported through systems operated by the Department for Water Resources.

Over the past few years Audit has raised concern over the adequacy of internal controls and resultant integrity of data within the Water Licensing System. These internal control weaknesses and integrity of data issues have resulted in prior years' financial reports for the Board being qualified with respect to water-based levies.

During the year the Department for Water Resources completed an internal audit of information recorded in the Water Licensing System. The internal audit resulted in a number of adjustments to the information recorded such that water-based levies are now based on validated information. In addition, the control environment over the Water Licensing System has improved. Consequently, Audit was able to provide an unqualified Independent Audit Report on the 2000-01 financial report. Further commentary is included under the Department for Water Resources elsewhere in this Report.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the 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 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

Revenues and Expenses

Levies charged under the *Water Resources Act 1997* amounted to \$968 000, accounting for 84 percent of the Board's revenue.

Expenditure increased by \$410 000 or 54 percent to \$1.2 million reflecting increased expenditure on planning and education projects outlined in the Initial Catchment Water Management Plan.

Assets and Liabilities

Cash assets as at 30 June 2001 amounted to \$987 000 and represented 91 percent of the Board's total assets. However, \$396 000 of that cash was held on behalf of another organisation. The amount which was recorded as a liability on the Statement of Financial Position. Note 12 to the accounts explains the details of the arrangement.

South East Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	4	968	960
Interest revenue	5	50	35
Other revenue	6	134	19
Total Revenues		1 152	1 014
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee entitlements		394	219
Goods and services	7	761	513
Depreciation	11	15	28
Total Expenses		1 170	760
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	16	(18)	254
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(18)	254

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	8	987	924
Receivables	9	84	68
Total Current Assets		1 071	992
NON-CURRENT ASSETS:			
Property, plant and equipment	10	18	33
Total Non-Current Assets		18	33
Total Assets		1 089	1 025
CURRENT LIABILITIES:			
Deposit from Mid South East Irrigators Association	12	396	258
Payables	13	38	112
Employee entitlements	14	29	11
Total Current Liabilities		463	381
Total Liabilities		463	381
NET ASSETS		626	644
EQUITY:			
Accumulated surplus	16	626	644
TOTAL EQUITY		626	644
Expenditure Commitments	15		

Statement of Cash Flows for year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments:			
Employee entitlements		(376)	(336)
Goods and services		(835)	(544)
GST payments on purchases		(60)	-
Receipts:			
Fees and charges		967	884
Interest revenue		50	33
Other revenue		135	56
Deposit from Mid South East Irrigators Association		138	258
GST receipts from taxation authority		31	-
GST receipts on sales		13	-
Net Cash provided by Operating Activities	17	63	351
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		-	(8)
Net Cash used in Investing Activities		-	(8)
NET INCREASE IN CASH HELD		63	343
CASH AT 1 JULY		924	581
CASH AT 30 JUNE	8	987	924

South East Catchment Water Management Board

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) **Establishment of Board**

The South East Catchment Water Management Board was established under section 53 of the *Water Resources Act 1997*, on 15 May 1998.

The Board's Initial Plan was approved by the Minister for Environment and Heritage and passed through Parliament in April 1999. The Initial Plan will remain in effect until such time as a comprehensive plan has been completed or the Initial Plan is revised.

(b) **Functions of the Board**

The functions of the Board are to:

- prepare and implement a Catchment Water Management Plan;
- provide advice to the Minister for Water Resources and constituent councils regarding water resource management in the Board's area;
- promote public awareness of the importance of proper management and sustainable use of the water resources within the Board's area.

(c) **Financial Arrangements**

A water based levy raises approximately 70 percent of total income. It is set at the following rate according to whether the allocation is based on a volumetric basis or an irrigation equivalent basis where the water allocation on the licence is specified:

- as an annual volume in Mega litres, \$1.50 per Mega litre.
- in Irrigation Equivalents (IE), \$7.50 per hectare IE or part thereof.

Approximately 30 percent of income is raised by council contributions. The councils are required by the *Water Resources Act 1997* to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board. Contributions payable by the Councils have been reduced by the amount of rebates and remissions granted by Councils in accordance with section 138 of the *Water Resources Act 1997*.

The financial activities of the Board are primarily conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*.

2. Significant Accounting Policies

(a) **Basis of Accounting**

The financial statement is a general purpose financial report, and has been prepared in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance and the requirements of the *Water Resources Act 1997*.

The financial report has been prepared on the accrual basis of accounting. Accordingly revenues are recognised when they are earned or when the Board obtains 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 Board be certain about the amounts to be collected. These revenues include items such as grants.

The financial report has been prepared in accordance with the historical cost convention.

(b) **Reclassification of Financial Information**

The Board has adopted the presentation and disclosure requirements of Treasurer's Accounting Policy Statement APS 13, 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.

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

Assets have been recognised at cost and included in the Statement of Financial Position.

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.

(d) **Depreciation**

All items of property, plant and equipment 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.

The expected useful life is as follows:

	Years
Computing equipment	3
Office plant and equipment	3-5
Office furniture and fittings	10

Depreciation is provided on a straight line basis on all plant and equipment over \$2 000.

(e) **Repairs and Maintenance**

Repairs and maintenance costs are expensed as incurred.

South East Catchment Water Management Board

- (f) **Income Recognition**
All revenue is recorded in the Statement of Financial Performance. Grants, donations and other contributions are recognised as revenues when the Board obtains control over the assets comprising the contributions. Control over such revenues is normally obtained upon their receipt.
- (g) **Receivables**
Receivables in respect of fees and charges 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.
- (h) **Superannuation**
The Board made contributions of \$37 000 (\$28 000) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.
- (i) **Employee Entitlements**
Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.
- A provision is raised at the end of the reporting period to reflect employee entitlements to 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.
- The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. One member of staff has an entitlement to long service leave as a result of an entitlement under an employee contract.
- (j) **Cash Flows**
For the purpose of the Statement of Cash Flows, cash includes cash on hand and Deposit Accounts with the Department of Treasury and Finance.
- (k) **Finance Lease**
The Board has not entered into any finance leasing arrangements.
- (l) **Rounding**
All amounts are rounded to the nearest thousand dollars.
- (m) **Creditors**
Trade creditors
These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
- (n) **Cash and Bank Balances**
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 5.77 percent.
- (o) **Goods and Services Tax (GST)**
In accordance with 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 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 expenses; 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.

Cash flows are reported on a gross basis in the Statement of Cash Flows.

3. **Output Classes of the Board**

The Board operates solely in the portfolio area of water resources policy and planning, thus no separation into output classes is warranted.

4. **Fees and Charges**

	2001	2000
	\$'000	\$'000
Water based levies	686	684
Council levies (land based)	282	276
	968	960

5. **Interest Revenues**

Interest revenues for the reporting period comprised:

Department of Treasury and Finance	56	33
Less: Interest paid to Mid South East Irrigators Association	14	3
	42	30
Department for Water Resources	8	5
	50	35

Catchment Water Management Boards

South East Catchment Water Management Board

6. Other Revenues		2001	2000	
Other revenues for the reporting period comprised:		\$'000	\$'000	
Blue Lake Management Committee and project funding		28	17	
Department for Water Resources contribution		51	-	
Funding from SA Water		50	-	
Other		5	2	
		134	19	
7. Goods and Services				
Goods and service expenses for the reporting period comprised:				
Audit fee		11	12	
Board sitting fees and related expenses		104	85	
Building accommodation and service expenses		38	39	
Consultants		306	82	
Contractor expenses		7	27	
Employee relocation and accommodation expenses		-	5	
Financial service providers		12	14	
Legal services		(1)	10	
Meeting expenses		13	13	
Minor plant and equipment		19	9	
Other		10	6	
Postage		4	6	
Project expenditure		64	57	
Publications, reports and advertising		67	77	
Record management		5	1	
Staff training		17	4	
Stationery expenses		14	10	
Telephone		14	13	
Travel expenses		22	19	
Vehicle expenses		35	24	
		761	513	
8. Cash on Hand and on Deposit				
Deposit Account with the Department of Treasury and Finance		987	924	
The balance includes funds held on behalf of the Mid South East Irrigators Association (refer Note 12).				
9. Receivables				
Council levies (land based)		28	43	
Water based levies		19	16	
GST refund		15	-	
Sundry receivables		18	5	
Accrued interest		4	4	
		84	68	
10. Property, Plant and Equipment				
Computing equipment - At cost		38	38	
Less: Accumulated depreciation		26	12	
		12	26	
Furniture and fittings - At cost		5	5	
Less: Accumulated depreciation		1	1	
		4	4	
Plant and equipment - At cost		5	5	
Less: Accumulated depreciation		3	2	
		2	3	
Total Assets - At Cost		48	48	
Less: Accumulated depreciation		30	15	
		18	33	
11. Property, Plant and Equipment Movement Schedule				
	Carrying Amount		Depreciation Expense	Carrying Amount
	1.7.00	Additions	Disposals	30.6.01
	\$'000	\$'000	\$'000	\$'000
Computing equipment	25	-	-	13
Furniture and fittings	5	-	-	1
Plant and equipment	3	-	-	1
	33	-	-	15
				18
12. Mid South East Irrigators Association			2001	2000
Interest bearing deposit			\$'000	\$'000
			396	258

The Board holds funds on behalf of the Mid South East Irrigators Association to assist them to implement a program to rehabilitate degraded confined aquifers for wells. The Board has accepted this deposit on the basis that these monies will be disbursed in accordance with the instructions of the Mid South East Irrigators Association. Interest is paid at the same rate as received by the Board.

South East Catchment Water Management Board

13. Payables		2001	2000
Current:		\$'000	\$'000
Creditors		26	86
Accrued expenses		12	14
Accrued salaries and wages		-	12
		38	112
14. Employee Entitlements			
Annual leave		25	10
Long service leave		4	1
		29	11
15. Expenditure Commitments			
Commitments under Non-Cancellable Operating Lease at the reporting date are payable as follows:			
Payable:			
Not later than one year		22	15
Later than one year and not later than five years		10	13
		32	28
These operating lease commitments are not recognised in the financial report as liabilities.			
The property leases are non-cancellable leases, with rental payments monthly in arrears. Contingent rental provisions within the lease agreement allow for increase in payments in line with general inflation.			
16. Equity		2001	2000
Equity represents the residual interest in the Board's net assets. The South Australian Government holds the equity interest in the Board on behalf of the community.		\$'000	\$'000
Balance at 1 July		644	390
Surplus (Deficit) from ordinary activities		(18)	254
Balance at 30 June		626	644
17. Reconciliation of Net Cash Provided by Operating Activities to Operating Surplus		2001	2000
		\$'000	\$'000
Surplus (Deficit) from ordinary activities		(18)	254
Depreciation		15	12
Retirement of non-current assets		-	16
Movements in assets and liabilities:			
(Decrease) Increase in creditors and accrued expenses		(74)	(154)
Increase in employee entitlements		18	6
(Increase) in receivables		(16)	(41)
Deposit from Mid South East Irrigators Association		138	258
Net Cash provided by Operating Activities		63	351
18. Remuneration of Board Members			
Members of the South East Catchment Water Management Board during the financial year were:			
Mr James Osborne (Presiding member)	Mr Robert Mock		
Ms Maureen Andrews	Mr Christopher England		
Mr Peter Altschwager	Mr Nicholas Kentish (resigned 16.1.00)		
Mr Phillip McBride	Mr Brendon Smart (term comp. 15.5.00)		
Mr Robert Cowan	Mr Victor Patrick (term comp. 15.5.00)		
Mr Frances Brennan	Ms Angela Robinson (term comp. 15.5.00)		
Remuneration paid or payable to Board members in respect of the reporting period fell within the following bands:		2001	2000
		Number of Board Members	Number of Board Members
\$1 - \$10 000		8	11
\$10 001 - \$20 000		3	-
\$20 001 - \$30 000		1	1
Total remuneration paid or payable to these members was \$87 000 (\$58 000).			
19. Consultant Fees		2001	2000
		Number of Consultants	Number of Consultants
\$1 - \$10 000		2	3
\$10 001 - \$50 000		3	1
\$50 001 - \$100 000		1	1
Over \$100 001		1	-
Total consultants fees paid or payable was \$306 000 (\$82 000).			
20. Auditors' Remuneration		2001	2000
Amounts due and receivable for auditing the accounts		\$'000	\$'000
		11	12

TORRENS CATCHMENT WATER MANAGEMENT BOARD

SIGNIFICANT FEATURE

Cash assets increased by \$840 000 to \$2.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 74(2) of the *Water Resources Act 1997* specifically provides for the Auditor-General to audit the accounts and financial statements of each Board established under the Act 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 report and adequacy of internal controls.

The specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- revenue, including council contributions and grant funding
- grant administration.

Audit Communications to Management

During the year a management letter communicating issues arising from the audit was forwarded to the General Manager. A satisfactory response was received.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the 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 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

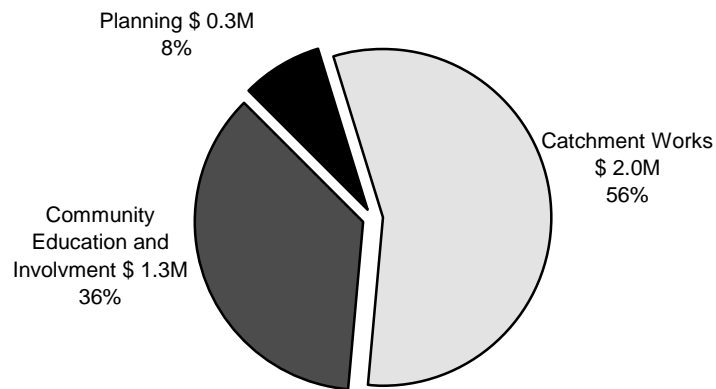
Revenues and Expenses

Constituent Councils provided contributions of \$3.8 million (\$3.7 million) to the Board in 2000-01. The contributions comprised 89 percent (90 percent) of the Board's revenues for the year.

Expenditure on consultants decreased by \$414 000 to \$236 000 due mainly to completion in 1999-2000 of the technical review associated with the Catchment Water Management Plan and blue-green algae action plan.

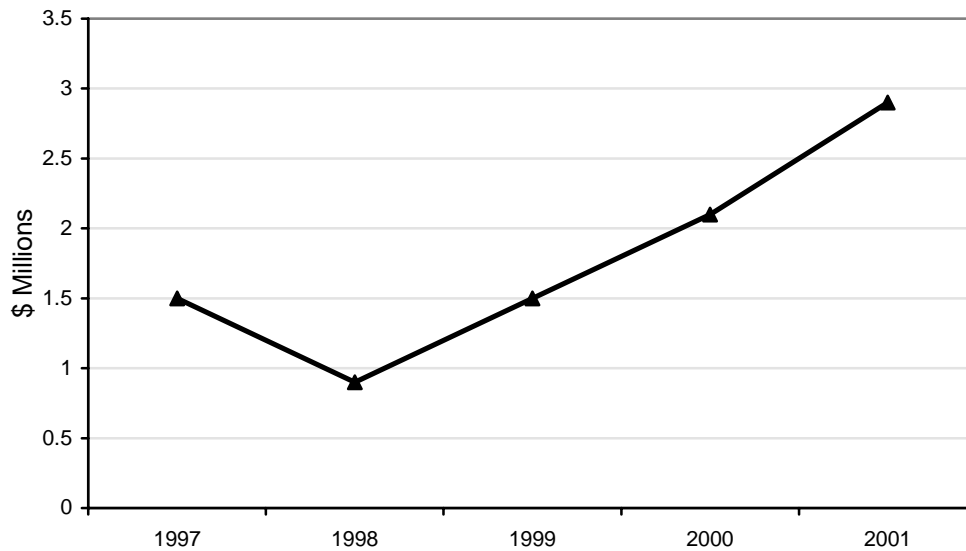
Expenditure on contractors increased by \$379 000 to \$1.4 million due mainly to additional expenditure on catchment works, including gross pollutant traps and riparian restoration.

The following chart depicts the major expenditures of the Board in 2000-01.



Cash Assets

The following graph reflects the movement in cash assets over the last five years.



The increase in cash assets in 2000-01 is due to major delays in the delivery of gross pollutant traps (catchment works) in the North West Region, and funds for the St Peters Billabong wetland which will be constructed in 2001-02.

Torrens Catchment Water Management Board

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Council contributions	1.3	3 822	3 735
Interest received		143	79
Other contributions and grants		289	307
Other income		36	31
Total Revenues		4 290	4 152
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	2.5	292	274
Contractors	3	1 368	989
Consultants		236	650
Grants and subsidies		1 464	1 253
Depreciation	2.4,5	67	64
Other expenses		106	126
Total Expenses		3 533	3 356
OPERATING SURPLUS		757	796
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		757	796

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets		2 934	2 094
Receivables	2.7	202	137
Prepayments		3	3
Total Current Assets		3 139	2 234
NON-CURRENT ASSETS:			
Plant, equipment and infrastructure assets	4	1 181	1 247
Work in progress		37	23
Total Non-Current Assets		1 218	1 270
Total Assets		4 357	3 504
CURRENT LIABILITIES:			
Payables	2.8,6	191	106
Provisions	7.1	29	21
Total Current Liabilities		220	127
NON-CURRENT LIABILITIES:			
Provisions	7.2	15	12
Total Non-Current Liabilities		15	12
Total Liabilities		235	139
NET ASSETS		4 122	3 365
EQUITY:			
Accumulated surplus	8	4 122	3 365
TOTAL EQUITY		4 122	3 365
Commitments	9		
Contingent Liabilities	10		

Statement of Cash Flows for year ended 30 June 2001

	Note	2001 Inflows (Outflows) \$'000	2000 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Inflows:			
Council contributions		3 822	3 735
Interest received		143	74
Other contributions and grants received		317	544
Other income received		36	31
Goods and services tax received		211	-
Outflows:			
Payments to suppliers, service providers, grantees and employees		(3 359)	(3 541)
Goods and services tax paid		(291)	-
Net Cash provided by Operating Activities	11.2	879	843
CASH FLOWS FROM INVESTING ACTIVITIES:			
Outflows:			
Payments for plant, equipment and infrastructure assets		(39)	(245)
Net Cash used in Investing Activities		(39)	(245)
NET INCREASE IN CASH HELD		840	598
CASH AT 1 JULY		2 094	1 496
CASH AT 30 JUNE	11.1	2 934	2 094

Torrens Catchment Water Management Board

Output Class Schedule of Board's Expenses for the year ended 30 June 2001

	Output Class (Note 2.10)			2001	2000
	1	2	3	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	163	23	106	292	274
Contractors	955	102	311	1 368	989
Consultants	138	74	24	236	650
Grants and subsidies	594	69	801	1 464	1 253
Depreciation	61	1	5	67	64
Other expenses	60	8	38	106	126
	1 971	277	1 285	3 533	3 356

Revenues from Ordinary Activities have not been distributed to Output Classes as they do not relate to any particular Class.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Objectives and Funding****1.1 Establishment of Board**

The Torrens Catchment Water Management Board was established on 7 May 1995 pursuant to the *Catchment Water Management Act 1995*, which was subsumed by the *Water Resources Act 1997*.

The Board commenced operation under an Initial Plan in 1995. The Board is currently operating under a Catchment Water Management Plan developed and adopted by the Board in April 1997. The Plan was reviewed during 2000-01, resulting in the Minister for Water Resources adopting amendments to the Plan's projected income and expenditure for the financial years 2001-04.

1.2 Functions of the Board

The functions of the Board are to:

- prepare a comprehensive Catchment Water Management Plan;
- ensure removal of solid or dissolved impurities from all catchment water within the Torrens catchment;
- ensure protection of all watercourses, channels and lakes and their ecosystems, within the Torrens catchment from degradation by pollutants and exotic plants and animals, and reversal of such degradation where it has occurred;
- determine financial or any other form of assistance to constituent councils, persons carrying on business, community groups or any other persons in an activity in the catchment area that will improve the quality of the catchment water;
- facilitate education of members of the public in relation to the management of catchment water and of catchments.

1.3 Sources of Funding

In accordance with the provisions of the *Water Resources Act 1997*, the Board received contributions from councils within the proclaimed catchment area. The amount to be contributed by councils was based upon the estimated expenditure of the Board (as contained in the Revised Initial Plan) for the financial year, less the amount of any other funds available to the Board.

Councils are required to impose a separate levy on rateable land in the catchment areas of the Board in order to recover the contributions made to the Board.

Contributions payable by certain Councils to the Board have been reduced by the amount of rebates or remissions granted by Councils in accordance with section 136 of the *Water Resources Act 1997* and Division 5, Part 1 of the *Local Government Act 1999*.

2. Statement of Significant Accounting Policies**2.1 General**

The following is a summary of the significant accounting policies adopted by the Board in the preparation of the general purpose financial report.

The general purpose financial report has been prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, Treasurer's Accounting Policy Statements, Treasurer's Instructions, the *Public Finance and Audit Act 1987*, *Water Resources Act 1997* and other mandatory reporting requirements.

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 changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Income Recognition

Contributions from constituent councils are recognised as income following determination of the share of each council by the Minister and publication of those amounts in the Government Gazette. Contributions are required to be paid on a quarterly basis to the Board.

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Torrens Catchment Water Management Board

2.2 Income Recognition (continued)

Income from grants is recognised following completion of formal documentation between the grantor and the Board.

Other income is recognised when the service has been performed.

All income relates to the operating activities of the Board.

2.3 Allocation of Administrative Overheads

The Torrens and Patawalonga Catchment Water Management Boards have agreed to share administrative costs on a 60/40 basis.

2.4 Non-Current Assets

Transfer of Assets

One infrastructure asset was transferred to a third party during the year.

Depreciation

Depreciation is provided on a straight line basis to write off the net cost or revalued amount of all plant, equipment and infrastructure assets over their expected useful lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual assessments for major items. The expected useful lives are as follows:

	Years
Display systems	3
Computer equipment	5
Office equipment	8
Furniture and fittings	20
Catchment water infrastructure assets	25

Leasehold improvements are amortised over the life of the lease.

Assets costing less than \$300 have been included in expenditure in the year of acquisition.

2.5 Employee Entitlements

Employer Superannuation

The Board contributed \$27 000 (\$24 000) to superannuation schemes in respect of its employees for the financial year. 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 at balance date relates to any contribution due but not yet paid to the superannuation schemes.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision is calculated at nominal amounts based on current salary rates. On-costs have been included in the provision in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

Sick Leave

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

Long Service Leave

The benchmark used for determining long service leave liability is eight years in accordance with Accounting Policy Statement APS 9 'Employee Entitlements' issued by the Department of Treasury and Finance. The provision includes entitlements for one employee in recognition of prior service with other government departments.

On-costs have been included in the component of long service leave that will be taken as leave (55 percent of the liability at June 2001) rather than a lump sum. This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent).

Workers Compensation

The Board is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. There were no claims arising under the *Workers Rehabilitation and Compensation Act 1986* and no provision for claims liability has been made at year end based upon previous claims history.

2.6 Leases

The Board has no financial leases.

The Board has entered into operating lease agreements for premises and computer equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Lease payments are included as expenditure in equal instalments over the accounting periods covered by the lease terms.

Total expenditure on operating leases in the financial year was \$44 000 (\$32 000).

2.7 Receivables

Income receivable on investment of surplus funds is accrued in accordance with the terms and conditions applicable to funds held at Department of Treasury and Finance in a Section 21 Deposit Account.

Torrens Catchment Water Management Board

2.8 Payables

Trade Creditors

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

Other Payables

These amounts represent unpaid board fees, salaries and direct overheads at balance date.

2.9 Credit Risk Exposure

The credit risk on financial assets of the Board which have been recognised in the Statement of Financial Position, is generally the carrying amount.

2.10 Output Classes of the Board

Outputs are defined as goods or services produced, provided to or acquired for external customers. The Board has identified three major classes of outputs that it delivers to the community. The identity and description of each major output class of the Board during the year ended 2001 are summarised below (refer to the Output Class Schedule of Board's Expenses).

1. *Catchment Works*

The Board aims to improve catchment health and stream condition through the implementation of a broad range of on-ground initiatives. Catchment works include wetland development, installation of gross pollutant traps and watercourse rehabilitation.

2. *Planning*

Planning is required to ensure that future investments in catchment works are based on the best available information. Planning activities include the development of the comprehensive catchment water management plan, monitoring of water quality, grants for research and development.

3. *Community Education and Involvement*

Community awareness of water quality and quantity issues is vital in gaining widespread public support for, ownership of, and participation in improved catchment management. The Board's community education and involvement programs are part of a long term strategy aimed at building commitments which lead people to change their attitudes and behaviour for both community and individual benefit. Through promoting 'best practice' land and water management across every sector of the community, the Board's programs aim to reduce or prevent pollution at its source.

2.11 Accounting for Goods and Services Tax (GST)

In accordance with 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 Board as a purchaser that is not recoverable from the Australian Tax 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 Tax 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 cash flows arising from investing activities, which is recoverable from, or payable to the Australian Tax Office have however been classified as operating cash flows.

2.12 Reclassification of Financial Information

The Board has adopted the presentation and disclosure requirements of Treasurer's Accounting Policy Statement APS 13, 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.

2.13 Rounding

All amounts are rounded to the nearest thousand dollars.

3. Contractors

Contractors have been used to implement the Board's program of activities including installation of wetlands, gross pollutant traps and watercourse rehabilitation, monitoring of water quality and production of community education material.

4. Plant, Equipment and Infrastructure Assets

	2001		2000	
	\$'000	\$'000	\$'000	\$'000
Display systems at cost	55		55	
Less: Accumulated depreciation	46		36	
	<u>9</u>		<u>19</u>	
Furniture and fittings at cost	16		16	
Less: Accumulated depreciation	5		4	
	<u>11</u>		<u>12</u>	
Computer equipment at cost	7		6	
Less: Accumulated depreciation	5		4	
	<u>2</u>		<u>2</u>	
Office equipment at cost	8		8	
Less: Accumulated depreciation	5		4	
	<u>3</u>		<u>4</u>	

Torrens Catchment Water Management Board

4.	Plant, Equipment and Infrastructure Assets (continued)	2001		2000	
		\$'000	\$'000	\$'000	\$'000
	Office leasehold improvements at cost	9		9	
	Less: Accumulated depreciation	9		9	
		<u> </u>	-	<u> </u>	-
	Infrastructure assets at cost	1 298		1 298	
	Less: Accumulated depreciation	142		88	
		<u> </u>		<u> </u>	
	Total Plant, Equipment and Infrastructure Assets	<u> </u>	<u>1 156</u>	<u> </u>	<u>1 210</u>
			<u> </u>		<u> </u>
			<u> </u>		<u>1 247</u>

5.	Plant, Equipment and Infrastructure Assets Movement Schedule					
		Carrying Amount 1.07.00 \$'000	Additions \$'000	Disposals \$'000	Depreciation Expense \$'000	Carrying Amount 30.06.01 \$'000
	Display systems	19	-	-	10	9
	Furniture and fittings	12	-	-	1	11
	Computer equipment	2	1	-	1	2
	Office equipment	4	-	-	1	3
	Office leasehold improvements	-	-	-	-	-
	Infrastructure assets	1 210	23	23	54	1 156
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u> </u>	<u>24</u>	<u>23</u>	<u>67</u>	<u>1 181</u>

6.	Payables				
				2001	2000
				\$'000	\$'000
	Trade creditors			161	92
	Other			30	14
	Total			<u> </u>	<u> </u>
				<u> </u>	<u>106</u>

7.	Provisions				
	7.1 Current Provisions				
	Provision for employee entitlements:				
	Annual leave			29	21
	7.2 Non-Current Provisions				
	Provision for employee entitlements:				
	Long service leave			15	12
				<u> </u>	<u> </u>
				<u> </u>	<u>33</u>

8.	Accumulated Surplus				
	Balance at 1 July			3 365	2 569
	Operating surplus			757	796
	Balance at 30 June			<u> </u>	<u> </u>
				<u> </u>	<u>3 365</u>

9.	Expenditure Commitments				
	9.1 Lease Commitments				
	Operating Leases:				
	Not later than one year			55	38
	Later than one year and not later than five years			195	26
	Total operating lease commitments (including GST)			<u> </u>	<u> </u>
				<u> </u>	<u>64</u>

	GST included in operating lease commitments			23	-
--	---	--	--	----	---

The operating lease commitments comprise the following:

- a property lease which is non-cancellable. Rental is payable monthly with reviews indexed annually, alternating between market value and CPI indexation. Options exist to renew the lease at the end of term of the lease.
- a computer lease which is non-cancellable. Rental is payable monthly and options exist to renew or cancel the lease at the end of the term of the lease.

9.2	Other Expenditure Commitments				
				2001	2000
				\$'000	\$'000
	Not later than one year			2 800	1 203
	Later than one year and not later than five years			19	-
	Total other expenditure commitments (including GST)			<u> </u>	<u> </u>
				<u> </u>	<u>1 203</u>
	GST included in grant and funding commitments			<u> </u>	-
				<u> </u>	<u> </u>
				<u> </u>	<u> </u>

Approvals have been given for various projects including wetlands, trash racks, rural riparian works, flood studies and grants for pollution prevention and research and development. The value of these projects (\$2 819 000) is not reflected in the Statement of Financial Performance or Statement of Financial Position for the current financial year.

10. Contingent Liabilities
The Board has no contingent liabilities.

Torrens Catchment Water Management Board

11. Note to the Statement of Cash Flows
11.1 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 those investments that are able to be converted to cash within two working days.

11.2 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

	2001	2000
	\$'000	\$'000
Operating surplus	757	796
Depreciation	67	64
Loss on disposal of asset	24	38
(Increase) Decrease - Receivables	(65)	231
Decrease - Prepayments	-	2
Increase (Decrease) - Creditors and accruals - Net of amounts accrued in relation to asset acquisition	85	(297)
Increase - Provisions	11	9
Net Cash provided by Operating Activities	879	843

12. Auditors' Remuneration

Amount paid or payable to the Auditor-General's Department with respect to the audit of the Board's financial report.

11	11
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No other services were provided by the auditors.

13. Remuneration of Board Members

Members of the Torrens Catchment Water Management Board during the financial year were:

Mr Jay Hogan: Presiding Member
 Ms Penny Paton
 Mr Peter Cooper
 Mr Geoff Thomas

Mr Peter Koukourou
 Ms Valerie Bonython
 Mr Harry Wierda
 Ms Cathryn Hamilton.

Total income received, or due and receivable, by Board Members was \$32 000 (\$35 000).

The number of Members whose income from the entity falls within the following bands is:

	2001	2000
	Number of Members	Number of Members
\$0 - \$9 999	7	7
\$10 000 - \$19 999	1	-
\$20 000 - \$29 999	-	1

Prescribed benefits given by the Board to prescribed superannuation funds or otherwise in connection with the retirement of Board Members were \$2 000 (\$2 000).

In accordance with the Department of the Premier and Cabinet Circular No. 100, one Board Member (Cathryn Hamilton) did not receive any remuneration as this Member was an employee of the Government.

Related Party Disclosures

One Board Member has a direct affiliation with a Local Government Council from which Council contributions are received by the Board. He is:

Mr Harry Wierda

City of Port Adelaide Enfield

During the year grants totalling \$280 000 were approved for the Council of the Board Member, an employee of that Council. Schedule 2 clause 10(10) of the *Water Resources Act 1997* provides that a member of the Board does not have a direct or indirect personal or pecuniary interest in any matter under consideration by the Board simply by being a member of a constituent council. The nature of the grants and conditions attached, were similar to other grants provided to various organisations.

14. Remuneration of Executives

The number of Executive Officers whose remuneration from the Torrens and Patawalonga Catchment Water Management Boards falls within the following bandwidth:
 \$110 000 - \$119 999

	2001	2000
	Number of Executive	Number of Executive
	1	-

Remuneration of the executive officer was shared with the Patawalonga Catchment Water Management Board on a 60/40 basis. Refer Note 2.3.

15. Financial Instruments
Interest Rate Risk Exposure

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 in the following table:

Financial Assets:

Cash assets

Receivables and prepayments

Weighted average interest rate (percent)

Financial Liabilities:

Payables

Weighted average interest rate (percent)

Net Financial Assets (Liabilities)

	2001	2000
	Floating Interest Rate	Non-Interest Bearing
	\$'000	\$'000
	Rate	Amount
	2 934	-
	202	3
	3 136	3
	5.06	
	-	191
	-	191
	-	-
	3 136	(188)
	3 136	2 948

Torrens Catchment Water Management Board

15. **Financial Instruments (continued)**

Interest Rate Risk Exposure

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 in the following table:

	Floating Interest Rate	2000 Non-Interest Bearing	Total Carrying Amount
	\$'000	\$'000	\$'000
Financial Assets:			
Cash assets	2 094	-	2 094
Receivables and prepayments	137	3	140
	<u>2 231</u>	<u>3</u>	<u>2 234</u>
Weighted average interest rate (percent)	5.58		
Financial Liabilities:			
Payables	-	106	106
	<u>-</u>	<u>106</u>	<u>106</u>
Weighted average interest rate (percent)	-		
Net Financial Assets (Liabilities)	<u>2 231</u>	<u>(103)</u>	<u>2 128</u>

Reconciliation of Net Financial Assets to Net Assets

	2001 \$'000	2000 \$'000
Net financial assets as above	2 948	2 128
Non-financial assets and liabilities:		
Plant, equipment and infrastructure assets	1 218	1 270
Provisions	(44)	(33)
Net Assets per Statement of Financial Position	<u>4 122</u>	<u>3 365</u>

Net Fair Value of Financial Assets and Liabilities - On Statement of Financial Position

The net fair value of cash and equivalents and non-interest bearing monetary financial assets and financial liabilities of the Board approximates their carrying value.

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

On-Statement of Financial Position Financial Instruments	2001		2000	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	2 934	2 934	2 094	2 094
Receivables and prepayments	205	205	140	140
Financial Liabilities:				
Payables	(191)	(191)	(106)	(106)
	<u>2 948</u>	<u>2 948</u>	<u>2 128</u>	<u>2 128</u>

DEPARTMENT FOR WATER RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

The Department for Water Resources (DWR) is an administrative unit that was established on 14 February 2000 pursuant to the *Public Sector Management Act 1995*.

DWR mainly comprises certain water resource management functions (and associated staff, assets and liabilities) transferred from the former Department for Environment, Heritage and Aboriginal Affairs and the Department of Primary Industries and Resources.

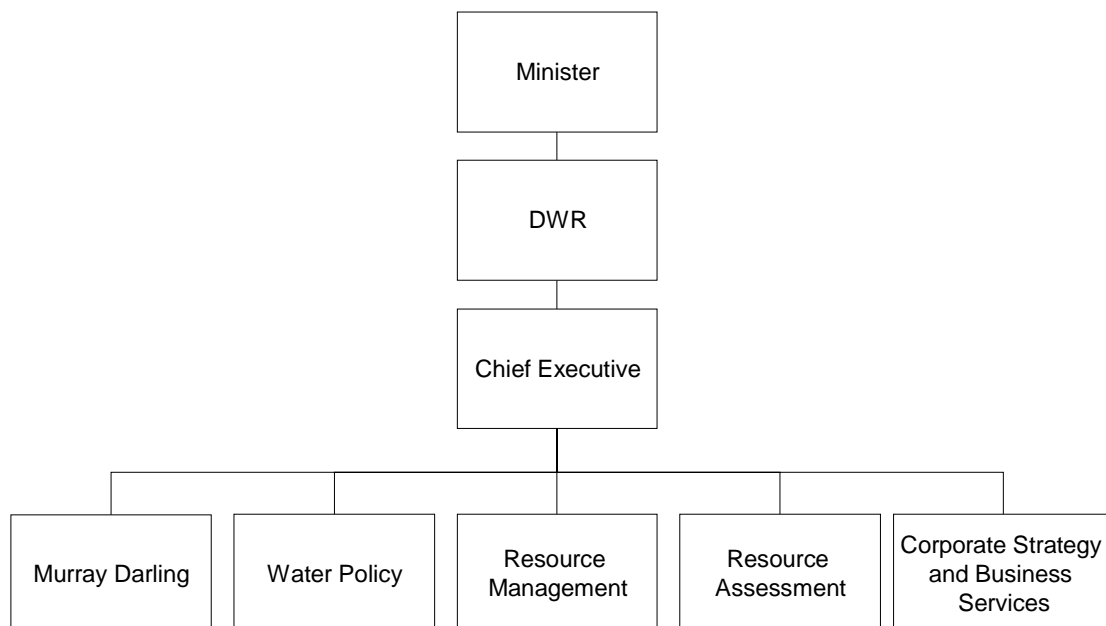
Further, as a part of that restructure the Minister for Water Resources was incorporated.

Role and Structure of the Department

The principal objectives of DWR are to:

- achieve a strong, consistent and collaborative focus on water issues for the benefit of South Australia;
- at a national level, ensure South Australia's interests are recognised and protected in water reform initiatives and the key water resources shared with other States;
- take a lead role at the national level in managing water resources in the important areas of the Murray-Darling Basin, Lake Eyre Basin and the Great Artesian Basin;
- at the State level, be the lead government agency for the policy, management and administration of the State's water resources.

The Structure of the Department and its relationship with the Minister is shown in the following chart.



SIGNIFICANT FEATURES

- 2000-01 is the first full year of operation of DWR, which was established in February 2000.
- Total expenses for the year were \$44.6 million.
- DWR received \$35.2 million in appropriation revenue from the State Government.
- Grant and subsidy expenditure amounted to \$22.1 million representing 50 percent of total expenditure.

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 DWR 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.

DWR is reliant on other agencies to provide important administrative services such as payment of salaries and wages, accounts payable, asset recording and maintaining a general ledger. The major agencies providing these services during the year was the Department for Environment and Heritage and the Department of Primary Industries and Resources. As a part of the conduct of audits for those agencies, consideration was given to the activities of DWR with the view of forming an opinion with respect to the financial statements and internal control.

During 2000-01 specific areas of audit attention, at DWR and the agencies providing administrative services to DWR, included:

- water licensing system
- accounts payable
- salaries and wages
- receipting and banking
- property, plant and equipment
- grants.

Audit Communications to Management

During the year a letter communicating the issues arising from the audit was forwarded to the Chief Executive. Details relating to the main issue contained in that letter are outlined in 'Audit Findings and Comments' hereafter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

As explained above DWR utilised the financial systems of the Department for Environment and Heritage (DEH) and Department of Primary Industries and Resources South Australia (PIRSA) in undertaking its financial processes for the 2000-01 financial year. These essentially related to receipting and banking, salaries and wages, accounts payable, asset recording and general ledger. Further it was generally observed during the course of the audit that reliance was placed on policies and procedures established within DEH and PIRSA for the day-to-day management of certain business functions. Commentary regarding the general financial controls has been included in this report under those respective entities. No matters arose from those audits that were significant to DWR.

As of 1 July 2001 the Department has entered into a Service Level Agreement with the Department for Administrative and Information Services to provide financial services. These arrangements will be reviewed as part of the 2001-02 audit.

Fixed Assets

Last year Audit reported that certain assets have been identified by DWR since its establishment in February 2000, but not recognised, as uncertainty exists over where control and ownership rests and the appropriate entity that should recognise them. Examples of these assets include infrastructure assets associated with the River Murray (evaporation basins, locks, weirs, etc), metropolitan drainage assets and Linear Park. Due to the potential significance of these assets the Independent Audit Report on the financial statements was qualified for 1999-2000.

In July 2001, DWR advised that it has been working towards identifying those assets it should be responsible for and that while progress has been made, the matter remained unresolved. As a part of this process, issues were raised as to whether, in principle, the scope of DWR was to include being a major Government asset owner with a large asset base and significant asset management responsibilities. DWR indicated that 'Until the matter of principle is settled, we will not be able to resolve the asset identification issue for the Department'.

DWR further advised that the issues have been the subject of extensive discussions at both Ministerial and senior executive level.

As at the time of preparing this report these matters remain unresolved. Due to the potential significance of these assets on the financial statements the Independent Audit Report has again been qualified with respect to assets. An extract from the Independent Audit Report is provided hereafter.

Water Licensing

The Water Licensing System is used to record and manage licenses and permits (and the conditions attached to these) issued in relation to the taking of water from prescribed watercourses. In addition the Water Licensing System is used for the raising of water based levies that have been declared by the Minister in accordance with the *Water Resources Act 1997*. Where water based levies relate to a Catchment Water Management Board, DWR provides the Board with revenue raising, invoicing, collection and related administrative services.

Previous year's audits have revealed a number of fundamental control weaknesses in the Water Licensing System and associated management systems that prevented the reporting of reliable financial information relating to water based levies. These control weaknesses resulted in a qualified audit opinion being issued on the financial statements of those Catchment Water Management Boards where water based revenues were material.

Last year DWR was endeavouring to undertake an internal audit of water licenses and reconcile all revenue raised for the 1999-2000 financial year back to validated license data for each Catchment area. However, this work was not completed in time to avert a qualification for DWR and the relevant Catchment Water Management Boards.

During 2000-01 DWR completed the internal audit of information recorded in the Water Licensing Information. The internal audit resulted in a number of adjustments to the information recorded such that water-based levies are now based on validated information. In addition the control environment over the Water Licensing System has improved. Consequently, audit was able to provide an unqualified Independent Audit Report with respect to water-based levies on the 2000-01 financial reports of DWR and the relevant Catchment Water Management Boards.

The 2000-01 audit also noted a number of observations where there was the potential to further improve controls relating to water licensing. These related mainly to controls aimed at ensuring all application fees have been receipted, water licence information recorded in the Water Licensing System is complete, accurate and authorised, and all relevant water based levies have been raised.

The response from DWR satisfactorily addressed all matters raised.

Other Findings and Comments

Other matters arising from the audit related to checks over the authorisation of expenditure and the processing of transactions for accounts payable and the policies and controls over bona-fide certificates and authorisation and maintenance of timesheets.

A satisfactory response was received from DWR on all matters raised.

EXTRACT FROM THE INDEPENDENT AUDIT REPORT

Qualification

Note 2(d) to the financial statements describes that certain assets have not been brought to account as at 30 June 2001. Due to the potential significance of these assets, I am unable to form an opinion on the completeness of values ascribed to assets included in the Statement of Financial Position and any resultant depreciation that may impact on the operating result.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters 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 Department for Water Resources 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 Water Resources 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 Water Resources 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.

Statement of Financial Performance for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	12 794	4 148
Goods and services	5	9 272	3 374
Grants and subsidies	6	22 135	7 466
Depreciation	7	370	139
Total Expenses		44 571	15 127
REVENUES FROM ORDINARY ACTIVITIES:			
User charges and fees	8	2 758	803
Grants	9	4 839	5 668
Interest and other revenues	10	445	511
Total Revenues		8 042	6 982
NET COSTS OF SERVICES		36 529	8 145
REVENUES FROM GOVERNMENT:			
Appropriation		34 605	10 058
Accrual appropriation		61	-
Contingency provision grants		564	-
Total Revenues from Government	11	35 230	10 058
NET TRANSFERS ON ESTABLISHMENT OF THE DEPARTMENT	12	-	10 914
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		(1 299)	12 827
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(1 299)	12 827

Statement of Financial Position as at 30 June 2001

	Note	2001 \$'000	2000 \$'000
CURRENT ASSETS:			
Cash assets	13	7 445	8 521
Receivables	14	1 301	648
Other	15	79	48
Total Current Assets		8 825	9 217
NON-CURRENT ASSETS:			
Property, plant and equipment	16,17	8 316	8 266
Total Non-Current Assets		8 316	8 266
Total Assets		17 141	17 483
CURRENT LIABILITIES:			
Payables	18	1 414	1 472
Provision for employee entitlements	4	754	574
Total Current Liabilities		2 168	2 046
NON-CURRENT LIABILITIES:			
Payables	18	415	320
Provision for employee entitlements	4	3 030	2 290
Total Non-Current Liabilities		3 445	2 610
Total Liabilities		5 613	4 656
NET ASSETS		11 528	12 827
EQUITY:			
Accumulated surplus	19	11 528	12 827
TOTAL EQUITY		11 528	12 827
Contingent Obligations	20		

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 costs		(11 852)	(3 513)
Goods and services		(9 364)	(2 327)
Grants and subsidies		(22 135)	(7 466)
Total Payments		(43 351)	(13 306)
RECEIPTS:			
User charges and fees		2 204	1 006
Grants		4 839	5 668
Interest		135	137
Other receipts		288	204
Total Receipts		7 466	7 015
CASH FLOWS FROM GOVERNMENT:			
Appropriation		35 230	10 058
Total Cash Flows from Government		35 230	10 058
Net Cash (used in) provided by Operating Activities	21	(655)	3 767
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Property, plant and equipment		(421)	(83)
Net Cash used in Investing Activities		(421)	(83)
NET (DECREASE) INCREASE IN CASH HELD		(1 076)	3 684
CASH AT 1 JULY		8 521	4 837
CASH AT 30 JUNE	2(i)	7 445	8 521

Output Class Schedule of Departmental Operating Expenses and Revenues
for the year ended 30 June 2001

	Coordination and Advice \$'000	Water Resources Management \$'000	2001 Total \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	1 195	11 599	12 794
Goods and services	866	8 406	9 272
Grants and subsidies	2 068	20 067	22 135
Depreciation	34	336	370
Total	4 163	40 408	44 571
REVENUES FROM ORDINARY ACTIVITIES:			
Appropriation	3 292	31 938	35 230
User charges and fees	258	2 500	2 758
Grants	452	4 387	4 839
Interest and other revenues	42	403	445
Total	4 044	39 228	43 272
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES	(119)	(1 180)	(1 299)

Refer to Note 3

Schedule of Administered Items for the year ended 30 June 2001

	Catchment Water Management Board Levies \$'000	Eyre Peninsula CWMB \$'000	Penalty Charges \$'000	Ministerial Payments \$'000	Arid Areas Catchment Water Management Board \$'000	Water Resources Levy Fund \$'000	South Eastern Water Conservation Drainage Board \$'000	2001 Total \$'000	2000 Total \$'000
ADMINISTERED ASSETS AND LIABILITIES:									
ASSETS:									
Cash on hand and on deposit	1 619	199	-	-	590	(1)	-	2 407	2 062
Current receivables	161	1	936	-	3	14	-	1 115	1 233
Total	1 780	200	936	-	593	13	-	3 522	3 295
LIABILITIES:									
Current payables	1 619	3	-	-	10	3	-	1 635	1 595
Total	1 619	3	-	-	10	3	-	1 635	1 595
NET ADMINISTERED ASSETS	161	197	936	-	583	10	-	1 887	1 700
ADMINISTERED REVENUES AND EXPENSES:									
EXPENSES FROM ORDINARY ACTIVITIES:									
Employee costs	-	20	-	308	103	34	-	465	68
Goods and services	-	37	-	-	144	13	-	194	61
Amounts remitted to consolidated account	-	-	492	-	-	-	-	492	367
Amounts remitted and due to Catchment Water Management Boards	4 888	-	-	-	-	168	-	5 056	5 889
Amounts remitted to South East Water Conservation Drainage Board	-	-	-	-	-	-	1 519	1 519	-
Total	4 888	57	492	308	247	215	1 519	7 726	6 385
REVENUES FROM ORDINARY ACTIVITIES:									
Appropriations	-	250	-	308	400	-	1 519	2 477	473
User charges and fees	4 777	-	379	-	-	142	-	5 298	6 031
Other revenues	70	4	27	-	27	10	-	138	43
Total	4 847	254	406	308	427	152	1 519	7 913	6 547
NET SURPLUS (DEFICIT)	41	197	(86)	-	180	(63)	-	187	162

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

(a) Establishment of the Department

The Department for Water Resources was established by proclamation in the Government Gazette dated 14 February 2000 as an administrative unit under the *Public Sector Management Act 1995*. The Department was created from water related function transferred from the former Department for Environment, Heritage and Aboriginal Affairs and the Department of Primary Industries and Resources. Employees relating to these functions were transferred effective from 1 March 2000 pursuant to section 7 of the *Public Sector Management Act 1995*.

(b) Departmental Objectives

The objectives of the Department for Water Resources are to:

- achieve a strong, consistent and collaborative focus on water issues for the benefit of South Australia (by drawing together the key water-related activities into this portfolio);
- at a national level, ensure that South Australia's interests are recognised and protected in water reform initiatives and the key water resources shared with other states;
- take a lead role at the national level in managing water resources in the important areas of the Murray-Darling Basin, Lake Eyre Basin and the Great Artesian Basin; and
- at the State level, be the lead Government agency for the policy, regulation, management and administration of the State's water resources.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views (UIG's). The financial statements are prepared on the accrual basis of accounting and in accordance with historical cost convention, except for certain types of physical non-current assets which are valued at written down current cost.

(b) The Reporting Entity

The financial activities of the Department are primarily conducted through a Special Deposit Account established pursuant to section 8 of the *Public Finance and Audit Act 1987* and held at the Department of Treasury and Finance.

The Department's sources of funds consist of monies appropriated by Parliament together with grants revenue and income derived from user charges and fees for services to the public and industry.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the South Australian Government.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Schedule of Administered Items.

The administered resources reported in these financial statements for 1999-2000 have been reported for the full year as the restructuring of government departments, which brought about the establishment of the Department for Water Resources in February 2000, did not have any affect on their financial activities.

(c) Income Recognition**(i) User Charges and Fees**

User charges and fees controlled by the Department are recognised as revenues. User charges and fees are controlled by the Department where they can be deployed for the achievement of Departmental objectives.

User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Schedule of Administered Items. Such amounts are paid to the Consolidated Account or other Funds not controlled by the Department.

(ii) Appropriation

Appropriations, whether operating, investing, or other, are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control over appropriation is normally obtained upon receipt.

(iii) Grants

Grants, whether operating, investing, or other, are recognised as revenue when the Department obtains control over the assets comprising the contributions. Control over grants is normally obtained upon receipt.

(d) Non-Current Assets

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined. Certain assets have been identified but not recognised by the Department as uncertainty exists over where control and ownership of these assets rests and the appropriate entity that should recognise them. It was on this basis that these assets were not previously recognised by the former Department for Environment, Heritage and Aboriginal Affairs, prior to the establishment of the Department for Water Resources. An implementation plan has been established whereby control and ownership will be identified and the assets will be valued and recognised where the Department is deemed to control those assets.

The Department has adopted an asset capitalisation limit of \$5 000. The capitalisation amount is within the limitations set by Accounting Policy Statement APS 2 'Asset Recognition'.

(d) Non-Current Assets (continued)

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.

The Department has adopted a policy of performing revaluations of property, plant and equipment at intervals not exceeding three years in accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

Land and Buildings

Land and buildings have been independently valued by Valcorp Pty Ltd as at 30 June 1999.

Borehole Network

The borehole network utilised for groundwater measurement, was independently valued by Valcorp Pty Ltd as at 30 June 1999 on the basis of deprival value and recorded at replacement cost less accumulated depreciation.

Hydrometric Gauging Stations

The hydrometric gauging stations utilised to measure and control salinity have been included at officer's valuation.

Waste Disposal Stations

The houseboat waste disposal stations were independently valued by Valcorp Pty Ltd as at 30 June 1999.

Plant and Equipment

Plant and equipment are brought to account at cost or at officer's valuation for initial recognition purposes. Items with an individual value of less than \$5 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(e) Depreciation

All items of property, plant and equipment, with the exception of land, have a limited useful life and are systematically depreciated in a manner that 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 that have not been commissioned into service.

Assets are subject to straight line depreciation over the following periods:

	Years
Buildings	50
Borehole Network	30
Hydrometric Gauging Stations	4-213
Waste Disposal Station	50
Plant and equipment	3-30

(f) Employee Entitlements*(i) Wages, Salaries and Annual Leave*

Liabilities for wages, salaries and annual leave 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.

(ii) Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

(iii) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

Related on-costs of payroll tax and superannuation are recorded under the item payables.

(iv) 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. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(v) 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.

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 allocation of workers compensation liabilities has also been split into current and non-current portions.

(g) Leases

The Department has entered into non-cancellable operating lease agreements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease. Refer to Note 22 for further details.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

The Department has not entered into any finance leases.

(h) Provision for Doubtful Debts

The provision for doubtful debts has been calculated as 1 percent of all receivables, together with an allowance for specific debts that are unlikely to be collected.

(i) Cash

For the purpose of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis.

(j) Comparative Figures

The Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the financial statements disclose comparative figures for 1999-2000. Comparative information relates to the period 1 March 2000 to 30 June 2000 and therefore is not representative of a complete financial year following the establishment of the Department on 15 February 2000.

(k) Goods and Services Tax

During 2000-01 the Department was a member of a Goods and Services Tax (GST) group. Under these grouping arrangements one group member, the Department for Environment and Heritage (DEH), was responsible for the collection of GST on sales and payment of GST on purchases, and received/paid monies relating to Australian Taxation Office, for all group members. At 1 July 2001 the Department became a GST entity in its own right, consequently the Statement of Financial Position includes an asset and liability relating to the GST, this has not directly affected the Cash Flow Statement as no cash payments had yet been made.

(l) Adoption of New Accounting Standards

The Department 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.

(m) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Output Classes of the Department

The Department has specified two major classes of outputs that it delivers to the community and the Minister for Water Resources. Outputs are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each major output class and output of the Department are summarised below (refer to the Output Class Schedule of Departmental Operating Expenses and Revenues).

Output Class 1 Coordination and Advice

The coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister for Water Resources.

Output 1.1

Policy Advice

Strategic and technical policy advice and development for and on behalf of the Minister for Water Resources on the sustainable management and development of water resources at the State, inter-government, regional and catchment levels.

Output Class 2 Water Resources Management

The provision of a range of water resource management services including resource planning and management; the administration of the *Water Resources Act 1997*; water licensing; and the assessment, monitoring and evaluation of water resources.

Output 2.1

Resource Planning and Management Services

Plans and strategies for water resources management, water allocation and salinity management; resources planning advice and assistance to relevant authorities (eg catchment water management boards and planning committees, South Eastern Water Conservation and Drainage Board); development and management of River Murray remediation projects. Regional management of water resources through the Riverland and South East offices.

Output 2.2

Resource Monitoring and Assessment Services

Oversight, monitoring and analysis of the state and condition of South Australia's water resources and sustainable levels of water use; technical advice and data for the Water Resources Council, catchment water management boards and water resources planning committees, government agencies, the water management and development sectors, search and academic institutions; increased community awareness of the importance of managing the State's water resources.

Output Class 2 Water Resources Management (continued)**Output 2.3****Licensing and Compliance Services**

Administration of the *Water Resources Act 1997* and other water management legislation including specification and issue of licenses, permits and authorisations for water property rights; on-going review of community awareness of and compliance with the provisions of this legislation and where necessary, enforcement of legislative requirements.

4.	Employee Entitlements	2001	2000
	(a) Employee Costs	\$'000	\$'000
	Wages, salaries and other employee related expenses	10 880	3 522
	Workers compensation	216	-
	Superannuation	1 235	288
	Annual and long service leave expenses	463	338
		12 794	4 148
	(b) Employee Entitlements Liabilities		
	Current Liabilities:		
	Long service leave	119	47
	Annual leave	584	527
	Workers compensation	51	-
		754	574
	Non-Current Liabilities:		
	Long service leave	2 865	2 290
	Workers compensation	165	-
		3 030	2 290
5.	Goods and Services		
	Goods and service expenses for the reporting period comprised of:		
	Contractor expenses	2 090	692
	Accommodation and service expenses	1 791	467
	Consultancies	1 000	258
	Travel and accommodation	905	258
	Vehicle operating expenses	589	165
	Materials and consumables	581	268
	Minor plant and equipment purchases	347	201
	Printing, publishing and stationery	372	53
	Computer expenses	352	158
	Equipment repairs and maintenance	311	165
	Legal fees	179	33
	Exhibition and promotional expenses	105	-
	Conference and seminar expenses	61	12
	Other	589	401
	Retirement of non-current assets	-	243
		9 272	3 374
6.	Grants and Subsidies		
	Grants and subsidies for the reporting period comprised:		
	Transfer to Murray Darling Basin Commission	13 239	2 749
	Murray Darling 2001 grants	5 713	2 720
	Catchment Management Subsidy Scheme	2 086	1 844
	South East Confined Aquifer Rehabilitation Scheme	750	-
	Miscellaneous grants	347	153
		22 135	7 466
7.	Depreciation		
	Depreciation expenses for the reporting period were charged in respect of:		
	Building improvements	5	1
	Borehole network	108	60
	Hydrometric gauging stations	39	13
	Waste disposal stations	30	20
	Plant and equipment	188	45
		370	139
8.	User Charges and Fees		
	User charges and fees for the reporting period comprised:		
	Fees, levies and licences	2 468	802
	Sale of goods and services	290	1
		2 758	803
9.	Grants		
	Grant revenue for the reporting period comprised:		
	Commonwealth contributions	1 748	739
	Contributions received - Catchment Management Subsidy Scheme	-	2 570
	Contributions received - Murray Darling 2001 Program	2 434	2 221
	Sundry grants and contributions received	657	138
		4 839	5 668

Water Resources

10.	Interest and Other Revenues	2001	2000
	Interest and other revenues for the reporting period comprised:	\$'000	\$'000
	Salaries and wages recouped	-	130
	Interest income	157	169
	Other revenue	288	74
	Recognition of non-current assets for first time	-	138
		445	511

11.	Revenues from Government		
	Department for Water Resources:		
	Recurrent appropriation	34 605	839
	Accrual appropriation	61	-
	Contingency provision grants	564	-
	Appropriation as a result of restructuring:		
	Department for Environment and Heritage	-	8 422
	Department of Primary Industries and Resources	-	797
		35 230	10 058

12.	Transfers on Establishment of the Department		
	Transfer of cash	-	4 837
	Transfer of property, plant and equipment	-	8 609
	Transfer of employee entitlements	-	(2 526)
	Transfer of payables	-	(829)
	Transfer of receivables	-	823
		-	10 914

13. Financial Instruments
The following disclosures have been provided in accordance with the requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

- Cash on hand and deposits are available at call and are recorded at cost
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 60 days.

(ii) Financial Liabilities

- Trade creditors are raised for all amounts billed or ordered but unpaid. Trade creditors are normally settled within 30 days.

(b)	Interest Rate Risk	2001		2000
		Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount
	Financial Instrument	\$'000	\$'000	\$'000
	Financial Assets:			
	Cash on hand and deposits	7 445	-	7 445
	Receivables	-	1 248	1 248
		7 445	1 248	8 693
	Financial Liabilities:			
	Trade creditors	-	958	958
		-	958	958

		Weighted Average Effective Interest Rate	Total Carrying Amount	Percent	\$'000
		5.8	8 521	5.8	8 521
		-	648	-	648
		-	1 029	-	1 029

(c) Net Fair Value

Financial Instruments are valued at the carrying amount as per the Statement of Financial Position which approximates fair value. The carrying amount of financial assets approximates net fair value due to their short term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Credit Risk

At the end of each reporting period 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 a provision for doubtful debts. The resulting carrying amount is considered to approximate their net fair values. The Department does not have any significant exposure to any customer, thus its credit risks are due to its customer base being influenced by the South Australian economy.

14.	Receivables	2001	2000
	Current:	\$'000	\$'000
	User charges and fees receivable	1 195	640
	Accrued interest	36	32
	Goods and services tax receivable	86	-
	Other receivables	17	-
	Less: Provision for doubtful debts	33	24
		1 301	648

15. Other Current Assets		2001	2000
		\$'000	\$'000
Prepayments		79	48

16. Property, Plant and Equipment			2001		2000
			Accumulated	Written	Written
	Cost	Valuation	Depreciation	Down Value	Down Value
	\$'000	\$'000	\$'000	\$'000	\$'000
Land and buildings	22	40	6	56	61
Borehole network	-	8 691	5 993	2 698	2 806
Hydrometric gauging stations	-	3 883	1 087	2 796	2 835
Waste disposal stations	-	2 996	1 528	1 468	1 498
Plant and equipment	3 274	682	2 970	986	1 066
Work in progress	312	-	-	312	-
	3 608	16 292	11 584	8 316	8 266

Land and buildings, waste disposal stations and borehole network assets were independently valued by Valcorp Australia Pty Ltd as at 30 June 1999. The valuer who provided professional opinions was Messrs A J Lucas, MBAm B App Sc (Val), Dip Acc, AAPI. The hydrometric gauging stations and various plant and equipment have been included at officer's valuation.

For further details of valuation methodologies adopted by the Department refer to Note 2(d).

17. Property, Plant and Equipment Movement Schedule							
	Land and Buildings	Borehole Network	Hydrometric Gauging Station	Water Disposal Stations	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Amount:							
Balance as at 30 June 2000	62	8 691	3 883	2 996	3 858	-	19 490
Additions	-	-	-	-	53	312	365
Disposals	-	-	-	-	(59)	-	(59)
Transfers in	-	-	-	-	104	-	104
Balance as at 30 June 2001	62	8 691	3 883	2 996	3 956	312	19 900
Accumulated Depreciation:							
Balance as at 30 June 2000	(1)	(5 885)	(1 048)	(1 498)	(2 792)	-	(11 224)
Disposals	-	-	-	-	59	-	59
Depreciation expense	(5)	(108)	(39)	(30)	(188)	-	(370)
Transfers in	-	-	-	-	(49)	-	(49)
Balance as at 30 June 2001	(6)	(5 993)	(1 087)	(1 528)	(2 970)	-	(11 584)
Net Book Value:							
As at 30 June 2000	61	2 806	2 835	1 498	1 066	-	8 266
As at 30 June 2001	56	2 698	2 796	1 468	986	312	8 316

18. Payables		2001	2000
Current:		\$'000	\$'000
Employee costs		370	443
Trade creditors		958	1 029
Goods and services tax payable		86	-
		1 414	1 472
Non-Current:			
Employee costs		415	320

19. Accumulated Surplus			
Opening balance accumulated surplus		12 827	-
Surplus (Deficit) from ordinary activities		(1 299)	12 827
Accumulated Surplus at 30 June		11 528	12 827

20. Contingent Obligations
The following item is considered to meet the definition of a liability but has not been recognised because it cannot be measured reliably.

Section 14A of the *Irrigation Act 1994*, inserted by the *Irrigation (Dissolution of Trusts) Amendment Act 1998*, contains the following provision:

If in the opinion of the Minister it is not practicable or appropriate to vest the property and rights, or attach liabilities, of a dissolved trust on or to another trust, the property, rights and liabilities of the trust will, subject to subsection (3) vest in or attach to the Crown.

Water Resources

21.	Reconciliation of Net Cash provided by Operating Activities to Surplus (Deficit) from Ordinary Activities	2001	2000
		\$'000	\$'000
	Net cash provided by operating activities	(655)	3 767
	Net transfers on establishment of Department	-	10 914
	Non-cash items:		
	Depreciation expense	(370)	(139)
	Retirement of non-current assets	-	(243)
	Recognition of non-current assets for first time	-	138
	Change in operating assets and liabilities:		
	Increase (Decrease) in receivables	653	(175)
	Write off of work in progress	-	(119)
	Increase (Decrease) in other assets	31	(15)
	(Increase) in payables	(38)	(963)
	(Increase) in employee entitlements	(920)	(338)
	Surplus (Deficit) from Ordinary Activities	(1 299)	12 827
22.	Lease Commitment		
	At 30 June, the Department had the following obligations under non-cancellable operating leases:		
	Not later than one year	765	-
	Later than one year but not later than five years	3 321	-
	Later than five years	2 435	-
		6 521	-
23.	Remuneration of Executives	2001	2000
	For the period 1 July to 30 June there were six employees whose remuneration received or receivable exceeded \$100 000. The number of employees whose packages as at 30 June were equal to or exceeded \$100 000 fell within the following bands:	Number of Executives	Number of Executives
	\$100 001 - \$110 000	1	-
	\$110 001 - \$120 000	1	-
	\$130 001 - \$140 000	2	2
	\$190 001 - \$200 000	1	1
	Total remuneration paid or due to these executives was \$693 000		
24.	Payments to Consultants	2001	2000
	Payments to consultants fell within the following bands:	Number of Consultants	Number of Consultants
	\$0 - \$10 000	51	12
	\$10 001 - \$50 000	18	6
	\$50 001 and above	2	1
25.	Remuneration to Auditors		
	Audit fees accrued for the year ended 30 June 2001 are \$60 000 (\$25 000).		
26.	Targeted Voluntary Separation Package (TVSPs) Scheme		
	No employees were paid TVSPs during the period 1 July 2000 and 30 June 2001.		
27.	Restrictions on Contributions Received		
	The Department received contributions from various funding sources, as detailed below, expressly for the purposes of undertaking specific projects. As at 30 June 2001, \$2 162 000 (\$2 915 000) of contributions, which have been recognised as revenues in the Statement of Financial Performance, are yet to be spent in the manner specified by the contributors.		
		2001	2000
		Unspent Amount	Unspent Amount
		\$'000	\$'000
	Commonwealth contributions	1 968	1 531
	Contributions received - Murray Darling 2001 Program	194	1 384
		2 162	2 915

**APPENDIX TO
AUDITOR-GENERAL'S
ANNUAL REPORT**

**TREASURER'S
FINANCIAL STATEMENTS**

(Pursuant to section 22 of the *Public Finance and Audit Act 1987*)

2000-2001

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STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Estimated Result	Actual Result
	\$	\$
RECEIPTS		
Taxation	1 936 291 000	2 086 308 137
Commonwealth General Purpose grants	2 526 700 000	2 582 635 524
Commonwealth Specific Purpose grants	244 778 000	63 874 486
Contributions from State Undertakings	587 410 000	376 086 207
Fees and Charges	105 550 000	101 394 418
Recoveries	10 735 000	81 447 372
Royalties	71 741 000	106 563 436
Other Receipts	268 012 000	345 004 539
	<u>5 751 217 000</u>	<u>5 743 314 119</u>
PAYMENTS		
<i>Appropriation Act 2000</i>	5 820 208 000	5 686 273 270
Specific Appropriation Authorised in Various Acts	34 527 000	207 837 158
	<u>5 854 735 000</u>	<u>5 894 110 428</u>
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT		
	<u>103 518 000</u>	<u>150 796 309</u>
BORROWING FROM SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY		
	<u>103 518 000</u>	<u>150 796 309</u>

ROB LUCAS, Treasurer

Note Inserted by the Auditor-General

In reading these Statements please refer to the Note inserted at the bottom of page 5 of the Statements.

STATEMENT A
COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2001
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Estimated Receipts for 2000-01	Actual Receipts for 2000-01
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	728 000 000	743 902 641
Stamp Duties	616 900 000	714 769 908
Commonwealth Replacement Grants for Business Franchise Fees	29 800 000	34 118 876
Land Tax	140 200 000	140 346 506
Financial Institutions Duty	94 300 000	102 262 797
Debits Tax	59 400 000	58 452 324
Gas Levy	2 200 000	2 527 017
Business Franchises – Liquor	—	10 509
Gaming Machines Tax	183 600 000	191 953 823
Contribution from Lotteries Commission	53 464 000	67 602 121
Contribution from Casino Operations	13 700 000	14 321 262
Contribution from South Australian Totalizator Agency Board	11 423 000	13 108 869
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	3 104 000	2 931 484
Recoup from Recreation and Sport Fund	200 000	—
Total Taxation Receipts	<u>1 936 291 000</u>	<u>2 086 308 137</u>
COMMONWEALTH GENERAL PURPOSE GRANTS		
Competition Grants	36 100 000	35 888 648
GST Revenue Grants	2 249 097 000	2 278 909 836
Transitional Grants	241 503 000	267 751 626
Transitional Grants in Advance	—	85 414
Total Commonwealth General Purpose Grants	<u>2 526 700 000</u>	<u>2 582 635 524</u>
COMMONWEALTH SPECIFIC PURPOSE GRANTS		
Companies Code-Fees	10 900 000	10 430 978
Legal Aid	8 962 000	9 440 500
Native Title Legislation-Administration	473 000	—
Concessions to pensioners and others	15 749 000	16 268 000
Debt Redemption Assistance	7 200 000	7 198 400
Housing Interest Assistance	940 000	940 500
Airport Recovery	—	19 596 108
Non-Government Schools	193 451 000	—
Non-Government Schools—National Equity Program Scheme	2 679 000	—
School Language and Literacy—Community Languages in Ethnic Schools	457 000	—
Special Education—Intervention Support	3 967 000	—
Total Commonwealth Specific Purpose Grants	<u>244 778 000</u>	<u>63 874 486</u>
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Adelaide Convention Centre—		
Income Tax Equivalent	—	827 819
Wholesale Sales Tax Equivalent	33 000	33 885
Adelaide Entertainments Corporation—		
Dividend	602 000	—
Administrative and Information Services (excluding SAGERP)—		
Dividend	32 585 000	48 580 540
Income Tax Equivalent	2 692 000	—
Local Government Rate Equivalent	546 000	564 086
Wholesale Sales Tax Equivalent	2 000	—
Administrative and Information Services (FleetSA in respect of leased vehicles)—		
Wholesale Sales Tax Equivalent	1 800 000	133 496
Austrics—		
Wholesale Sales Tax equivalent	—	1 162

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2000-01—continued

	Estimated Receipts for 2000-01	Actual Receipts for 2000-01
RECEIPTS— <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS— <i>continued</i>		
ElectraNet SA—		
Income Tax Equivalent.....	18 700 000	5 541 380
Wholesale Sales Tax Equivalent.....	—	16 667
Flinders Power Pty Ltd—		
Income Tax Equivalent.....	—	4 514 848
Wholesale Sales Tax Equivalent.....	—	11 320
Forestry SA—		
Dividend	13 441 000	12 642 851
Income Tax Equivalent.....	11 572 000	14 652 289
Local Government Rate Equivalent.....	1 000	701
Wholesale Sales Tax Equivalent.....	13 000	192 354
Funds SA (and subsidiaries)—		
Income Tax Equivalent.....	18 000 000	21 968 892
Local Government Rate Equivalent.....	—	138 033
Wholesale Sales Tax equivalent	1 000	2 394
Hills Transit—		
Wholesale Sales Tax Equivalent.....	—	37 183
HomeStart Finance—		
Income Tax Equivalent.....	2 100 000	2 938 377
Wholesale Sales Tax Equivalent.....	3 000	38 453
Industrial and Commercial Premises Corporation—		
Dividend	—	149 366
Income Tax Equivalent.....	212 000	—
Land Management Corporation—		
Dividend	1 844 000	1 844 000
Income Tax Equivalent.....	2 769 000	4 053 263
Local Government Rate Equivalent.....	105 000	109 451
Wholesale Sales Tax Equivalent.....	2 000	4 829
Lotteries Commission—		
Income Tax Equivalent.....	25 956 000	10 695 612
Local Government Rate Equivalent.....	31 000	28 158
Wholesale Sales Tax Equivalent.....	80 000	80 125
Motor Accident Commission—		
Dividend	10 000 000	10 000 000
Wholesale Sales Tax Equivalent.....	—	9 247
Police Security Services—		
Income Tax Equivalent.....	127 000	129 513
Wholesale Sales Tax Equivalent.....	—	4 197
Public Trustee Office—		
Dividend	1 147 000	1 147 000
Income Tax Equivalent.....	1 451 000	884 020
Local Government Rate Equivalent.....	22 000	23 218
Wholesale Sales Tax Equivalent.....	7 000	87 118
RESI Corporation (formerly ETSA Corporation)—		
Dividend	27 800 000	—
South Australian Asset Management Corporation—		
Dividend	135 000 000	—
South Australian Government Captive Insurance Corporation—		
Income Tax Equivalent.....	8 767 000	7 978 370
Payments in lieu of other taxes	3 405 000	2 866 013
Wholesale Sales Tax Equivalent.....	—	6 479
South Australian Government Employee Residential Properties—		
Dividend	486 000	—
Income Tax Equivalent.....	473 000	—
Wholesale Sales Tax Equivalent.....	4 000	—
South Australian Government Financing Authority—		
Dividend	42 000 000	—
Income Tax Equivalent.....	8 000 000	8 795 097
Wholesale Sales Tax Equivalent.....	2 000	269

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2000-01—continued

	Estimated Receipts for 2000-01	Actual Receipts for 2000-01
RECEIPTS— <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS— <i>continued</i>		
South Australian Housing Trust—		
Income Tax Equivalent.....	246 000	—
Wholesale Sales Tax Equivalent.....	41 000	—
South Australian Ports Corporation—		
Dividend.....	5 562 000	5 188 000
Income Tax Equivalent.....	4 103 000	4 702 245
Local Government Rate Equivalent.....	130 000	124 506
Wholesale Sales Tax Equivalent.....	13 000	19 681
South Australian Totalizator Agency Board—		
Income tax equivalent.....	3 997 000	2 868 876
South Australian Water Corporation—		
Dividend.....	131 981 000	135 470 000
Income Tax Equivalent.....	56 619 000	60 132 562
Local Government Rate Equivalent.....	900 000	842 091
Wholesale Sales Tax Equivalent.....	242 000	162 000
Terra Gas trader Pty Ltd—		
Income Tax Equivalent.....	3 200 000	—
TransAdelaide—		
Dividend.....	1 155 000	—
Local Government Rate Equivalent.....	80 000	—
Wholesale Sales Tax Equivalent.....	25 000	7 878
Transport, Urban Planning and the Arts—		
Dividend.....	5 918 000	4 164 041
Local Government Rate Equivalent.....	82 000	—
Wholesale Sales Tax equivalent.....	199 000	33 588
West Beach Trust—		
Income Tax Equivalent.....	1 127 000	492 915
Local Government Rate Equivalent.....	—	49 113
Wholesale Sales Tax Equivalent.....	11 000	96 636
Total Contributions from State Undertakings.....	<u>587 410 000</u>	<u>376 086 207</u>
FEES AND CHARGES		
Auditor-General's Department—Fees for audit and other sundry receipts.....	7 913 000	* 9 134 942
Court fees.....	8 779 000	10 474 767
Court fines.....	24 513 000	15 875 789
Probate fees.....	2 441 000	2 277 750
Environment Protection Agency—Excess Water Charges.....	200 000	491 980
Guarantee Fees.....	18 794 000	18 764 851
Infringement notice schemes—Expiation fees.....	41 030 000	42 749 670
Legislature—Sale of publications.....	548 000	430 744
Sale of evidence/transcripts—Non-State Government agencies.....	804 000	741 323
Sale of evidence/transcripts—State Government agencies.....	357 000	357 939
Sale of Government Gazette.....	150 000	81 600
Sundry fees.....	21 000	13 063
Total Fees and Charges.....	<u>105 550 000</u>	<u>101 394 418</u>

* Note Inserted by the Auditor-General

Subsequent to the sign off by the Treasurer of these Statements it was noted that the amount of \$9 134 942 should be \$7 825 658. The consequence of this variation of \$1 309 284 is that the 'Total Receipts' on the Consolidated Account are reduced by \$1 309 284 and the 'Consolidated Account Financing Requirement' is increased by \$1 309 284.

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2000-01—continued

	Estimated Receipts for 2000-01	Actual Receipts for 2000-01
RECEIPTS—continued	\$	\$
RECOVERIES		
Child Abuse Protection Program—Intra sector grants received	200 000	200 000
Community Development Fund—St John Australia SA Inc.....	100 000	100 000
Contingency provisions-recoveries	200 000	6 795 000
Contribution to the cost of private plated vehicles.....	10 000	2 834
Helicopter service—Recovery of costs and sponsorships.....	749 000	518 206
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	1 500 000	1 500 000
Light motor vehicle fleet—Rental payments recovery	4 800 000	4 665 391
Recoup from Commonwealth for fire protection of Commonwealth property	1 105 000	—
Recoveries of hardship and assistance support	—	231 976
State-Local Government Reform Fund—Education and Training and Employment.....	300 000	—
State-Local Government Reform Fund—Transport, Urban Planning and the Arts	250 000	—
Superannuation receipts recovered from—		
ETSA Superannuation Scheme—Employer share of benefits paid	—	3 012 120
ETSA Superannuation Scheme—Fund share of benefits	—	63 307 759
Police Superannuation Fund—Fund share of benefits paid.....	—	(16 260)
Police Superannuation Scheme Contributions Account—Employer share of benefits paid	—	16 260
Unclaimed monies	1 415 000	1 092 407
Sundry Recoups	106 000	21 679
Total Recoveries	<u>10 735 000</u>	<u>81 447 372</u>
ROYALTIES		
Department of Primary Industries and Resources	71 741 000	106 563 436
Total Royalties.....	<u>71 741 000</u>	<u>106 563 436</u>
OTHER RECEIPTS		
Interest on investments	118 000 000	72 503 581
Interest recoveries from—		
General government entities	24 381 000	22 501 883
Non commercial public trading enterprises.....	61 099 000	56 534 490
Private sector.....	3 405 000	1 365 546
Universities	—	1 858 277
Repayments of advances—		
South Australian Housing Trust.....	6 228 000	14 856 498
University of South Australia.....	5 000 000	5 000 000
Industry, Trade and Tourism.....	2 979 000	3 290 597
Minister for Education, Employment and Training.....	2 000 000	2 000 000
Other.....	7 120 000	42 677 431
Sale of land and buildings	4 328 000	6 261 731
South Australia Water Corporation-Return of capital	29 700 000	29 700 000
Return of deposit account balances	—	84 608 728
Other	3 772 000	1 845 777
Total Other Receipts	<u>268 012 000</u>	<u>345 004 539</u>
TOTAL CONSOLIDATED ACCOUNT RECEIPTS.....	<u><u>5 751 217 000</u></u>	<u><u>5 743 314 119</u></u>

STATEMENT A—continued

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2001
(Section 22 (a) (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Estimated Payments for 2000-01	Actual Payments for 2000-01
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
SALARIES AND ALLOWANCES		
Agent-General—Pursuant to <i>Agent-General Act</i>	237 000	327 480
Auditor-General—Pursuant to <i>Public Finance and Audit Act</i>	188 000	196 274
Commissioner of Police—Pursuant to <i>Police Regulation Act</i>	189 000	226 986
Electoral Commissioner and Deputy Electoral Commissioner—Pursuant to <i>Electoral Act</i>	190 000	188 781
Employee Ombudsman—Pursuant to the <i>Industrial and Employee Relations Act</i>	82 000	79 916
Governor—Pursuant to <i>Constitution Act</i>	224 000	235 001
Judges—Pursuant to <i>Remuneration Act</i> —		
Chief Justice	248 000	331 979
Judges	8 620 000	11 308 964
Magistrates—Pursuant to <i>Remuneration Act</i>	5 892 000	7 019 395
Members of various Standing Committees—Pursuant to <i>Parliamentary Remuneration Act</i> and <i>Parliamentary Committees (Miscellaneous) Act</i>	371 000	361 772
Ombudsman—Pursuant to <i>Ombudsman Act</i>	140 000	204 779
Parliamentary Salaries and Electorate and Expense Allowances—		
Ministers, Officers and Members of Parliament—Pursuant to <i>Parliamentary Remuneration Act</i>	8 721 000	9 413 316
Senior Judge and Judges of the Industrial Relations Commission—Pursuant to <i>Remuneration Act</i>	910 000	1 276 676
Solicitor-General—Pursuant to <i>Solicitor-General Act</i>	207 000	296 001
Valuer-General—Pursuant to <i>Valuation of Land Act</i>	108 000	96 564
SUPERANNUATION AND PENSION PROVISIONS		
Electricity Trust of South Australia Superannuation Scheme—Pursuant to <i>Electricity Trust of South Australia Act</i>	—	65 831 239
OTHER		
<i>Compensation For Injuries Resulting From Criminal Acts</i> —Pursuant to <i>Criminal Injuries Compensation Act</i>	8 200 000	8 200 000
First Home Owners' Grant	—	102 242 035
Total Payments Authorised by Various Acts	<u>34 527 000</u>	<u>207 837 158</u>

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2000-01—continued

	Estimated Payments (Appropriation Act 2000)			Actual Payments
	Initial Section 4(1)	Transfers Section 5	Balance	2000-01
	\$	\$	\$	\$
PAYMENTS				
THE LEGISLATURE				
Legislative Council	3 394 000	—	3 394 000	2 777 764
House of Assembly	6 000 000	—	6 000 000	4 494 880
Joint Parliamentary Services	5 832 000	—	5 832 000	5 681 033
PREMIER, MINISTER FOR STATE DEVELOPMENT AND MINISTER FOR MULTICULTURAL AFFAIRS				
State Governor's Establishment	2 082 000	—	2 082 000	2 082 000
Department of the Premier and Cabinet	46 063 000	253 000	46 316 000	46 385 668
Auditor-General's Department	9 254 000	—	9 254 000	9 654 000
Administered Items for the Department of the Premier and Cabinet	2 100 000	—	2 100 000	1 853 442
Administered Items for the Auditor-General's Department	—	—	—	290 000
DEPUTY PREMIER, MINISTER FOR PRIMARY INDUSTRIES AND RESOURCES AND MINISTER FOR REGIONAL DEVELOPMENT				
Department of Primary Industries and Resources	107 974 000	—	107 974 000	107 845 788
Administered Items for Department of Primary Industries and Resources, Natural Resources and Regional Development	76 116 000	—	76 116 000	75 284 000
TREASURER AND MINISTER FOR INDUSTRY AND TRADE				
Department of Treasury and Finance	29 102 000	—	29 102 000	29 038 000
Administered Items for Department of Treasury and Finance	1 027 563 000	—	1 027 563 000	1 102 578 906
Department of Industry and Trade	128 868 000	—	128 868 000	130 145 569
Administered Items for Department of Industry and Trade	3 380 000	—	3 380 000	980 000
ATTORNEY-GENERAL, MINISTER FOR JUSTICE AND MINISTER FOR CONSUMER AFFAIRS				
Department of Justice	529 272 000	—	529 272 000	528 210 715
Attorney-General's Department	46 069 000	—	46 069 000	41 928 071
Administered Items for Attorney-General's Department	—	—	—	—
Courts Administration Authority	—	—	—	—
MINISTER FOR HUMAN SERVICES				
Department of Human Services	1 327 033 000	26 789 000	1 353 822 000	1 340 846 058
Administered Items Department of Human Services	500 000	—	500 000	500 000
Minister for Human Services-Other Items	9 020 000	—	9 020 000	9 020 000
MINISTER FOR TRANSPORT AND URBAN PLANNING, MINISTER FOR THE ARTS AND MINISTER FOR THE STATUS OF WOMEN				
Department for Transport, Urban Planning and the Arts	318 000 000	14 372 000	332 372 000	325 292 405
Administered Items for Transport, Urban Planning and the Arts	992 000	—	992 000	1 158 563
TransAdelaide	8 300 000	—	8 300 000	11 177 383
Minister for Transport and Urban Planning, Minister for the Arts and Minister for the Status of Women-Other Items	4 180 000	—	4 180 000	—
MINISTER FOR GOVERNMENT ENTERPRISES AND MINISTER FOR INFORMATION ECONOMY				
Minister for Government Enterprises and Minister for Information Economy- Other Items	15 354 000	4 120 000	19 474 000	22 347 483

STATEMENT A—continuedCOMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2000-01—continued

	Estimated Payments (Appropriation Act 2000)			Actual Payments
	Initial Section 4(1)	Transfers Section 5	Balance	2000-01
	\$	\$	\$	\$
<i>PAYMENTS—continued</i>				
MINISTER FOR EDUCATION AND CHILDREN'S SERVICES				
Department of Education, Training and Employment	1 333 545 000	(143 000)	1 333 402 000	1 351 327 000
Administered Items for Department of Education, Training and Employment	301 635 000	143 000	301 778 000	109 013 829
MINISTER FOR ENVIRONMENT AND HERITAGE AND MINISTER FOR RECREATION, SPORT AND RACING				
Department for Environment and Heritage	115 989 000	(222 000)	115 767 000	115 700 000
Administered Items for Department for Environment and Heritage	4 796 000	—	4 796 000	6 441 377
MINISTER FOR WATER RESOURCES, MINISTER FOR EMPLOYMENT AND TRAINING AND MINISTER FOR YOUTH				
Department for Water Resources	32 106 000	1 741 000	33 847 000	36 185 800
Administered Items for Department for Water Resources	650 000	—	650 000	650 000
MINISTER FOR TOURISM				
South Australian Tourism Commission.....	46 864 000	—	46 864 000	47 394 000
Minister for Tourism-Other Items	59 859 000	—	59 859 000	68 880 709
MINISTER FOR POLICE, CORRECTIONAL SERVICES AND EMERGENCY SERVICES				
South Australian Police Department.....	15 212 000	—	15 212 000	15 212 000
Administered Items for South Australian Police Department.....	4 116 000	—	4 116 000	2 751 995
Department of Correctional Services.....				
Minister for Police, Correctional Services and Emergency Services-Other Items	220 000	—	220 000	217 000
MINISTER FOR DISABILITY SERVICES, MINISTER FOR THE AGEING, MINISTER FOR ADMINISTRATIVE AND INFORMATION SERVICES AND MINISTER FOR WORKPLACE RELATIONS				
Department for Administrative and Information Services.....	151 373 000	(253 000)	151 120 000	132 090 832
Minister for Workplace Relations	484 000	—	484 000	484 000
MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR ABORIGINAL AFFAIRS				
Minister for Local Government-Other items	46 911 000	(46 800 000)	111 000	353 000
Total Payments Appropriated for Departments and Ministers	5 820 208 000	—	5 820 208 000	5 686 273 270
TOTAL CONSOLIDATED ACCOUNT PAYMENTS.....	5 854 735 000	—	5 854 735 000	5 894 110 428

STATEMENT B

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2001
(Section 22 (a) (ii) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	2000-01	1999-2000
	\$'000	\$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	2 086 308	2 614 664
Commonwealth—General Purpose Grants	2 582 636	1 718 072
Commonwealth—Specific Purpose Grants	63 875	254 529
Contributions from State Undertakings	376 086	509 840
Fees and Charges	101 394	99 530
Recoveries	81 447	62 070
Royalties	106 563	76 727
Other Receipts	345 005	284 101
Total Receipts	5 743 314	5 619 533
Borrowing from the South Australian Government Financing Authority (a).....	150 796	217 508
Increase in balance of Special Deposit Accounts	—	1 041 869
Increase in balance of Deposits lodged with the Treasurer	—	194 644
Decrease in deposits by the Treasurer with SAFA.....	1 604 242	—
Decrease in balance of Imprest Accounts.....	19	—
Increase in the value of cheques drawn but not presented.....	2 280	—
	<u>7 500 651</u>	<u>7 073 554</u>
APPLICATION OF FUNDS		
Consolidated Account Payments	5 894 110	5 837 041
Increase in deposits by the Treasurer with SAFA	—	1 189 557
Increase in deposits by the Treasurer with LGFA	6 000	5 800
Decrease in balance of Special Deposits Accounts.....	1 396 646	—
Decrease in balance of Deposits lodged with the Treasurer.....	85 912	—
Increase in cash at bank	117 983	22 000
Decrease in the value of cheques drawn but not presented.....	—	19 156
	<u>7 500 651</u>	<u>7 073 554</u>

(a) As reported in Statement A and J, the deficit on Consolidated Account for 2000-01 was met by borrowings from the South Australian Government Financing Authority of that amount.

ROB LUCAS, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2001
(Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

	2000-01	1999-2000
	\$'000	\$'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT—See Statement A.....	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES—See Statement F.....	911 574	2 308 220
DEPOSITS LODGED WITH THE TREASURER—See Statement G.....	544 910	630 822
CHEQUES DRAWN BUT NOT PRESENTED.....	43 850	41 570
	<u>1 500 334</u>	<u>2 980 612</u>
REPRESENTED BY		
CASH AT BANK.....	435 761	317 778
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY—See Statement J.....	1 027 606	2 631 848
DEPOSITS WITH LOCAL GOVERNMENT FINANCE AUTHORITY OF SA —See Statement E.....	35 300	29 300
DEPARTMENTAL IMPREST ACCOUNTS—See Statement H.....	1 667	1 686
	<u>1 500 334</u>	<u>2 980 612</u>

ROB LUCAS, Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2001 (a)
(Section 22 (a) (iii) *Public Finance and Audit Act*)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOUPS, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	\$'000 Payments	\$'000 Recoveries	\$'000 Cost	\$'000
The Legislature	12 954	434	12 520	
Premier, Minister for State Development and Minister for Multicultural Affairs	60 265	9 135	51 130	
Deputy Premier, Minister for Primary Industries and Resources and Minister for Regional Development.....	182 216	—	182 216	
Treasurer and Minister for Industry and Trade.....	1 251 315	694 381	556 934	
Attorney-General, Minister for Justice and Minister for Consumer Affairs	570 139	49 799	520 340	
Minister for Human Services	1 350 366	—	1 350 366	
Minister for Transport and Urban Planning, Minister for the Arts and Minister for the Status of Women	294 614	—	294 614	
Minister for Government Enterprises and Minister for Information Economy.....	21 914	—	21 914	
Minister for Education and Children's Services.....	1 460 341	—	1 460 341	
Minister for Environment and Heritage and Minister for Recreation, Sport and Racing.....	122 141	6 761	115 380	
Minister for Water Resources, Minister for Employment and Training and Minister for Youth.....	36 836	—	36 836	
Minister for Tourism.....	114 025	—	114 025	
Minister for Police, Correctional Services and Emergency Services	2 969	43 368	(40 399)	
Minister for Disability Services, Minister for the Ageing, Minister for Administrative and Information Services and Minister for Workplace Relations	109 021	84	108 937	
Minister for Local Government and Minister for Aboriginal Affairs.....	353	—	353	
Special Acts (b)	207 837	66 320	141 517	
Total	5 797 306	870 282	4 927 024	

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES..... 4 927 024

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST—

	\$'000	\$'000
State Taxation—		
Payroll Tax.....	743 903	
Stamp Duties	714 770	
Commonwealth Replacement Grants for Business Franchise Fees.....	34 119	
Land Tax.....	140 346	
Financial Institutions Duty.....	102 263	
Debits Tax.....	58 452	
Gas Levy.....	2 527	
Business Franchises - Liquor	11	
Gaming Machines Tax.....	191 954	
Contribution from Lotteries Commission.....	67 602	
Contribution from Casino Operations	14 321	
Contribution From South Australian Totalizator Agency Board	13 109	
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	2 931	
Recoup from Recreation and Sport Fund.....	—	
Total Receipts from State Taxation.....	2 086 308	
Commonwealth Government General Purpose Grants	2 582 636	
Royalties.....	106 563	
Total Direct Receipts.....		4 775 507
LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF		151 517
THIS WAS DECREASED BY THE NET OF —		
Payments for investing activities	85 377	
Payments for financing activities	11 427	
Receipts from investing activities	(97 525)	
		(721)
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF		150 796
BORROWINGS FROM THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY		150 796

(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act* which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. Under the revised presentation of the budget on an accrual-output class basis, the categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Australian Accounting Standards. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

(b) Payments authorised under various Acts (eg Parliamentary & Judicial Salaries).

ROB LUCAS, Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2001
(Section 22 (a) (iv) *Public Finance and Audit Act 1987*)

Local Government Finance Authority of South Australia (a)

(a) As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. The Fund is financed by a surcharge of 0.005 per cent on Financial Institutions Duty. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia. At 30 June 2001 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$35.3 million.

ROB LUCAS, Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS—BALANCES ON 30 JUNE 2001
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance \$
Interest Bearing—	
Accrual Appropriation Excess Funds.....	148 911 017
Adelaide Convention Centre Operating Account.....	23 782 005
Adelaide Convention Centre Future Asset Replacement Account.....	7 226 227
Administrative and Information Services Operating Account.....	229 521 220
Attorney-General's Operating Account.....	31 472 805
Auditor-General's Operating Account.....	773 444
Community Emergency Services Fund.....	5 583 567
Correctional Services Operating Account.....	3 435 955
Criminal Injuries Compensation Fund.....	16 144 357
Dog Fence Fund—for Administration of <i>Dog Fence Act</i>	72 881
Education, Training and Employment Operating Account.....	(3 029 972)
Electoral Office Operating Account.....	1 685 659
Electricity Reform and Sales Operating Account.....	11 031 695
Electricity Sale/lease Proceeds Account.....	2 958 000
Emergency Services Administrative Unit Operating Account.....	14 575 651
Environment and Heritage Operating Account.....	30 659 537
Forestry SA—Insurance Reserve Account.....	11 033 255
Gamblers Rehabilitation Fund.....	837 580
Gaming Supervisory Authority Operating Account.....	114 130
Gas Supply Options RFS Operating Account.....	926 993
Governors' Pensions Account.....	11 616
Home Builders' Account No. 2.....	-
Home Purchase Assistance Account.....	-
HomeStart Finance Account.....	217 242
Housing Loans Redemption Fund.....	5 599 637
Human Services Operating Account.....	25 797 105
Industry and Trade Operating Account.....	15 996 618
Judges' Pensions Account.....	34 348
Justice Operating Account.....	743
Local Government Disaster Fund.....	1 835 661
National Wine Centre Operating Account.....	404 492
Natural Disaster Relief Fund.....	-
Office of Venue Management Operating Account.....	(190 054)
Ombudsman's Office Operating Account.....	373 096
Parliamentary Superannuation Scheme Account.....	133 374
Playford Centre Operating Account.....	4 157 001
Police Complaints Authority.....	599 471
Police Operating Account.....	33 535 869
Police Superannuation Scheme Contribution Account.....	981 641
Premier and Cabinet Operating Account.....	17 992 375
Primary Industries and Resources Operating Account.....	7 518 105
Primary Industries (Log Rebate Funding) Operating Account.....	170 200
Public Trustee Office Operating Account.....	1 471 098
Rural Finance Account.....	24 649 142
Rural Industry Adjustment and Development Fund.....	14 729 887
School Loans Scheme.....	769 962
South Australian Aboriginal Heritage Fund.....	354 322
South Australian Government Insurance and Risk Management Fund.....	4 449 656
South Australian Local Government Grants Commission Account.....	277 453
South Australian Superannuation Fund Account.....	13 007 372
Southern State Superannuation Fund Account.....	10 269 829
State Emergency Services Operating Account.....	-
State Governor's Establishment Operating Account.....	526 516
Transport, Urban Planning and the Arts Operating Account.....	54 090 541
Treasury and Finance Operating Account.....	15 924 684
Water Resources Operating Account.....	6 524 712
Sub-Total.....	799 929 720

STATEMENT F—continuedSPECIAL DEPOSIT ACCOUNTS—BALANCES ON 30 JUNE 2001
(Section 22 (a) (v) (C) *Public Finance and Audit Act 1987*)

Account	Balance \$
Non-interest bearing—	
Agency Provisions for Future Asset Replacements	7 499 348
Asset Sales Operating Account.....	2 160 909
BankSA Sale Account	445 859
Charitable and Social Welfare Fund	1 194 775
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	-
Dingo Control Fund.....	31 191
Egg Industry Deregulation Account	465 000
Firearms Acquisition / Compensation Account.....	354 431
Firearms Acquisition/Disposal - Full-Time Firearms Dealers.....	-
Government Workers Rehabilitation and Compensation Fund	4 499 374
Highways Fund.....	17 302 747
Hospitals Fund.....	-
Industry Development Fund	-
Interregional Settlements Residues Account.....	4 287 275
Local Government Disaster Fund.....	35 300 000
Motor Vehicles—Clearing Account.....	13 841 846
NEM Taskforce Operating Account	138 615
Office for Government Enterprises Asset Sales Operating Account	2 883 791
Police Occupational Superannuation (Employer Contribution Account)	214 089
SAAMC - Returns to Treasurer	1 799 990
Sale of Government Land and Property	2 783 150
South Australian Electricity Supply Industry Planning Council Operating Account	742 649
South Australian Independent Industry Regulator Operating Account	1 564 152
Sport and Recreation Fund	1 432 504
State—Local Government Reform Fund.....	-
Stony Point (Liquids Project) Indenture Account	-
Targeted/Voluntary Separation Package Schemes.....	12 952 756
Totalizer Dividends Adjustment Account	247 887
Treasury—Working Account.....	(498 375)
Sub-Total	<u>111 643 963</u>
Total Special Deposit Accounts.....	<u><u>911 573 683</u></u>

ROB LUCAS, Treasurer

STATEMENT F (1)

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Corporation Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Corporation Operating Account	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Administrative and Information Services Operating Account	To record all the activities of the Department (including those formerly carried on by the Department for State Government Services, and the Department of Information Technology Services, and the Department of Primary Industries (Forestry), and the Land Titles Office component of the Department of Environment and Natural Resources, and the Industrial Relations Programs and Services component of the Department for Industrial Affairs, and the Registration and Licensing component of the Department of Transport) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Agency Provisions for Future Asset Replacements...	To record all receipts and payments associated with surplus cash balances generated within agencies for future asset replacements.
Asset Sales Operating Account.....	To record all of the financial transactions of the Asset Sales Unit including expenses incurred by the Asset Management Task Force prior to 31 March 1997 not yet brought to account, recurrent and capital expenditure on disposal of assets, revenue from various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government's indebtedness to SAFA or for other approved purposes.
Attorney-General's Operating Account	To record all of the activities of the Department (including those carried on by the Attorney-General's and Public and Consumer Affairs components of the former Department of Justice) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
BankSA Sale Account	To record all of the activities of the BankSA Sale Task Force including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and to apply proceeds from asset sales to the repayment of the Government's indebtedness to SAFA.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Charitable and Social Welfare Fund.....	To record receipts and disbursements associated with the Gaming Machines (Miscellaneous) Amendment Bill 1996 relating to supporting the work of not-for-profit charities and community based social welfare organisations.
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account.....	To receive amounts that are levied pursuant to the <i>Commonwealth Places (Mirror Taxes) Act 1998</i> of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to <i>the Commonwealth Places (Mirror Taxes Administration) Act 1999</i> of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Community Emergency Services Fund.....	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the <i>Emergency Services Funding Act, 1998</i> and any amendments as approved by Parliament.
Correctional Services Operating Account.....	To record all the activities of the Department (including those carried on by the Correctional Services component of the former Department of Justice and those formerly carried on by the Justice Information System Division within the Office of Information Technology) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Criminal Injuries Compensation Fund.....	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Dingo Control Fund.....	To record rates paid by landholders inside and outside the State's dog fence and to provide payments for the destruction of dingoes and any other purpose relating to the control of dingoes.
Dog Fence Fund—for administration of <i>Dog Fence Act</i>	To record receipts and disbursements relating to the operation of the Dog Fence Board.
Education, Training and Employment Operating Account	To record all of the activities of the Department (including those formerly carried on by the Department for Education and Children's Services, and the Department of Education, Training and Employment, and the Information Technology Workforce Strategy Office) including recurrent and capital expenditures, revenue for various activities, injections of funds provided from the Consolidated Account and borrowings, the receipt of various Commonwealth Government grants and associated payments.
Egg Industry Deregulation Account	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.
Electoral Office Operating Account.....	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Electricity Reform and Sales Operating Account.....	To record all of the financial transactions of the Electricity Reform and Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from various activities, injections of funds provided from the Consolidated Account, to make payments to the Electricity Sale/Lease Proceeds Account and to apply net or gross proceeds from a sale/lease agreement, sale or lease to repay the Government's indebtedness or for other approved purposes.
Electricity Sale/Lease Proceeds Account.....	To receive proceeds of a sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of State debt.
Emergency Services Administrative Unit Operating Account	To record all of the activities of the Emergency Services Administrative Unit (including those formerly carried on by the Country Fire Service, SA Metropolitan Fire Service and State Emergency Service SA) including operating, investing and financing activities, transfer and receipt of funds from/to other special deposit accounts, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Environment and Heritage Operating Account	To record all of the activities of the Department (including those formally carried on by the Department for Environment, Heritage and Aboriginal Affairs other than the Division of State Aboriginal Affairs and the Office of Recreation and Sport within the Department of Industry and Trade) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Firearms Acquisition/Compensation Account	To record receipts and disbursements relating to the purchase of firearms from members of the public.
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	To record receipts and disbursements relating to the operation of firearms and disposal.
ForestrySA—Insurance Reserve Account	To record receipts and payments associated with the self-insurance of ForestrySA's growing timber assets.
Gamblers Rehabilitation Fund.....	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.
Gaming Supervisory Operating Account.....	To record all the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Gas Supply Options RFS Operating Account	To record all of the financial transactions associated with the management of the Request for Submissions process to provide new gas supply options into South Australia including injections of funds from the Consolidated Account.
Government Workers Rehabilitation and Compensation Fund	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions scheme.
Highways Fund	To record all transactions associated with the <i>Highways Act</i> including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges.
Home Builders' Account No. 2	Established in 1971 to facilitate the recording of transactions associated with the administration of welfare housing funds provided by the State during 1971-72 and 1972-73 in terms of the <i>Housing Grants Administration Act</i> .
Home Purchase Assistance Account	Established in 1978 to facilitate the recording of transactions associated with the administration of welfare housing loans under Housing Agreements between the Commonwealth and the State.
HomeStart Finance Account.....	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
Hospitals Fund	To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers.
Housing Loans Redemption Fund	Established under the <i>Housing Loans Redemption Fund Act (1962)</i> to control amounts received in respect of a low cost insurance scheme established by the South Australian Government which is administered through various lending authorities.
Human Services Operating Account	To record all of the activities of the Department (including those formerly carried on by the Department for Family and Community Services, and the Department of Housing and Urban Development other than the Planning Division) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Industry and Trade Operating Account.....	To record all of the activities of the Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings, and to make payments to the department for Transport, Urban Planning and the Arts and the Department for Environment and Heritage.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—*continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Industry Development Fund	For the purpose of recording payments and receipts associated with providing industry development packages.
Interregional Settlements Residues Account.....	To deposit and distribute funds under the Inter-regional Settlements Residue (IRSR) Auction Process, including the payment of auction costs.
Judges' Pensions Account	To record receipts and payments for the Judges' Pensions scheme.
Justice Operating Account.....	To record all the activities of the Department and various activities within the Justice Portfolio including the transfer of funds to other agencies within the portfolio, operating and investing expenditures, revenue from various activities and injections of funds provided from Consolidated Account including from borrowings.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Motor Vehicles—Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
National Wine Centre Operating Account	To record all the activities of the Centre including recurrent and capital expenditures, revenue from various activities, injections of funds from Consolidated Account and borrowings.
Natural Disaster Relief Fund	To facilitate the administration of natural disaster relief particularly by way of loans to farmers.
NEM Taskforce Operating Account.....	To record all of the financial transactions associated with the management of the NEM Taskforce including injections of funds from the Consolidated Account.
Office for Government Enterprises Asset Sales Operating Account.....	To record all of the financial transactions of the Office for Government Enterprises Asset Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from the various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government's indebtedness to SAFA or for other approved purposes.
Office of Venue Management Operating Account	To record all the activities of the Office of Venue Management including recurrent and capital expenditures, revenue from various activities, injections of funds provided from Consolidated Account and borrowings.
Ombudsman's Office Operating Account.....	To record all the activities of the Ombudsman's Office including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Parliamentary Superannuation Scheme Account.....	To record receipts and payments for the Parliamentary Superannuation Scheme.
Playford Centre Operating Account	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Police Complaints Authority	To record costs incurred while investigating complaints against the Police.
Police Occupational Superannuation Scheme (Employer Contribution Account).....	To record receipts and payments in respect of the Police Occupational Superannuation Scheme.
Police Operating Account	To record all the activities of the Police Department (including those formerly carried on by Security Services in the Department of Housing and Construction) including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.
Premier and Cabinet Operating Account.....	To record all the activities of the Department (including those formerly carried on by the Division of Public Sector Reform within the former Office of Government Management, the Office for the Commissioner for Public Employment, the Office of Multicultural and Ethnic Affairs, the Economic Development Policy component of the Economic Development Authority, and the Policy component of the Department for Industrial Affairs) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account, borrowings and to make payments to the Department of Treasury and Finance.
Primary Industries (Log Rebate Funding) Operating Account	To record the receipt and the disbursement of rebates as per the agreement for the sale of Forwood Products and Mount Burr Mill.
Primary Industries and Resources Operating Account	To record all of the activities of the Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings, and to make payments to the Department for Water Resources.
Public Trustee Office Operating Account	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Rural Finance Account	To provide for the administration of separate funds covering— <ul style="list-style-type: none"> · the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> —rural reconstruction entered into on 4 June 1971 —rural assistance entered into on 1 January 1977 —rural assistance entered into on 1 July 1985 —rural assistance entered into on 1 January 1989 —rural assistance entered into on 1 January 1993 —Marginal Dairy Farms and Dairy Adjustment; · loans under the Commercial Rural Loans Scheme; · loans made to producer Co-operatives and borrowings required to fund the scheme; <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p>

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—*continued*
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Rural Industry Adjustment and Development Fund...	To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act 1985</i> .
SAAMC—Returns to Treasurer.....	To receive proceeds from the repatriation of South Australian Asset Management Corporation (SAAMC) capital and/or surplus funds of SAAMC and to apply such proceeds to the repayment of the Government's indebtedness.
Sale of Government Land and Property.....	To record all receipts and payments associated with the sale of Crown lands and other Government land and property.
School Loans Scheme.....	To administer loans to Schools.
South Australian Aboriginal Heritage Fund.....	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Electricity Supply Industry Planning Council Operating Account.....	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.
South Australian Government Insurance and Risk Management Fund	To record receipts and payments associated with the operation of the Government's insurance and risk management program.
South Australian Independent Industry Regulator Operating Account.....	To record all financial transactions for the South Australian Independent Industry Regulator including receipt of license fees and to make payments to the Technical Regulator and the Electricity Supply Industry Planning Council.
South Australian Local Government Grants Commission Account.....	To record all transactions associated with the <i>South Australian Local Government Grants Commission Act</i> including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act.
South Australian Superannuation Fund Account.....	To record receipts and payments in respect of the South Australian Superannuation Fund.
Southern State Superannuation Fund Account	To record receipts and payments in respect of the Southern State Superannuation Fund.
Sport and Recreation Fund	To record receipts and disbursements associated with the Gaming Machines (Miscellaneous) Amendment Bill 1996 relating to the provision of financial assistance to sporting and recreational organisations.
State Emergency Services Operating Account.....	To record all the activities of the organisation including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings.
State Governor's Establishment Operating Account.	To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
State—Local Government Reform Fund.....	To administer and fund particular functions/programs nominated by the State Government for negotiation with Local Government.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2001—continued
(Section 22 (a) (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Stony Point (Liquids Project) Indenture Account.....	To facilitate financial dealing between the Government and the Cooper Basin Producers.
Targeted/Voluntary Separation Package Scheme	To administer the costs associated with the Targeted/Voluntary Separation Package Scheme.
Totalizator Dividends Adjustment Account.....	Established under the provision of the <i>Racing Act (1976)</i> to collect from the Totalizator Agency Board fractions from the calculation of dividends which are then transferred to the Hospitals Fund.
Transport, Urban Planning and the Arts Operating Account	To record all of the activities of the Department (including those formerly carried on by the Department for the Arts and Cultural Development and the Department of Transport other than Registration and Licensing, and the Department of Recreation and Sport other than Sport Facilities and Industry Development) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury and Finance Operating Account.....	To record all the activities of the Department (including those formerly carried on by the Corporate Services Division within the Department of the Premier and Cabinet) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury—Working Account.....	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Water Resources Operating Account.....	To record all of the activities of the Department (including those water related activities formally carried on by the Department of Primary Industries and Resources and the Department for Environment and Heritage) including recurrent and capital expenditures, revenue from the Consolidated Account and borrowings.

ROB LUCAS, Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2001
 (Section 22 (a) (v) (A) *Public Finance and Audit Act 1987*)

Account	Purpose
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Gas Supply Options RFS Operating Account.....	To record all of the financial transactions associated with the management of the Request for Submissions process to provide new gas supply options into South Australia including injections of funds from the Consolidated Account.
National Wine Centre Operating Account	To record all the activities of the Centre including recurrent and capital expenditures, revenue from various activities, injections of funds from Consolidated Account and borrowings.
NEM Taskforce Operating Account.....	To record all of the financial transactions associated with the management of the NEM Taskforce including injections of funds from the Consolidated Account.
Office of Venue Management Operating Account	To record all the activities of the Office of Venue Management including recurrent and capital expenditures, revenue from various activities, injections of funds provided from Consolidated Account and borrowings.
Police Occupational Superannuation Scheme (Employer Contribution Account)	To record receipts and payments in respect of the Police Occupational Superannuation Scheme.

ROB LUCAS, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2001
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to section 21 of the Public Finance and Audit Act) on behalf of various bodies.

\$

Interest bearing—

Adelaide Festival Trust Fund.....	395
Agents Indemnity Fund.....	3 462 292
Art Gallery Board Bequests Account.....	1 767 400
Basketball Association of South Australia.....	9 854
Beekeeper's Compensation Fund.....	3 405
Boating Administration—Working Account.....	161 856
Botanic Gardens Board Endowment and Commercial Fund.....	1 811 655
Carrick Hill Trust.....	51 029
Cattle Compensation Fund.....	2 785 297
Central Linen Service—Sale Account.....	-
Construction Industry Fund.....	-
Cooperative Research Centre for Molecular Plant Breeding.....	2 645 872
Country Fire Services Workers Compensation Fund.....	3 875
Courts Administration Authority.....	10 848 621
Credit Unions Contingency Fund.....	-
Crown Solicitor's Trust Account.....	2 262 726
Daniel Livingston Scholarship.....	23 945
Deer Keepers' Compensation Fund.....	101 960
Distribution Lessor Corporation Account.....	1 068 944
District Court Suitors' Fund.....	499 444
Dried Fruits Board.....	87 924
Education Department—Scholarships and Prizes.....	103 465
Employment and Technical and Further Education—College Council Funds.....	891 262
Employment and Technical and Further Education—Scholarships and Prizes.....	2 717
Environment Protection Fund.....	2 036 837
ETSA Employer Fund (ETSA Contributory Scheme).....	89 034
ETSA Superannuation Fund.....	5 226 967
Fire Equipment Services Operating Account.....	226 832
Fisheries Research and Development Corporation Proactive Fund.....	-
Generation Lessor Corporation Account.....	1 080 584
Grains Industry Levy Fund.....	618 563
Gulf St Vincent Prawn Fishery Voluntary Contributions.....	17 664
Hills Transit.....	-
History Trust of South Australia.....	260 501
Industrial & Commercial Premises Corporation.....	4 686 613
Institute of Medical and Veterinary Science.....	18 000 817
Land Technologies Alliance Fund.....	126 066
<i>Legal Practitioners Act</i>	208 755
Libraries Board of South Australia.....	2 589 107
Local Government Taxation Equivalents Fund.....	1 523 826
Land Management Corporation.....	74 483 200
Motor Accident Commission Account.....	9 875 498
Museum Board—Bequests Account.....	1 069 352
National Parks General Reserves Account.....	4 410 351
Native Vegetation Fund.....	742 921
Northern Adelaide and Barossa Catchment Water Management Board.....	905 586
Office of Catchment Water Management Boards'.....	5 988 524
Onkaparinga Catchment Water Management Board.....	1 332 530
Outback Areas Community Development Fund.....	658 771
Passenger Transport Board.....	23 581 012
Passenger Transport Research and Development Fund.....	1 982 051
Phylloxera and Grape Industry Fund.....	926 385
Pitjantjatjara Council—Replacement of Plant Account.....	134 525
Planning and Development Fund.....	8 238 583
Pleuro Pneumonia Fund.....	77 166
Police Superannuation Fund.....	895 184

STATEMENT G—continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2001—*continued*
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to section 21 of the *Public Finance and Audit Act*) on behalf of various bodies.

	\$
Racing Industry Development Authority	152 621
Real Property Act Assurance Fund	3 933 644
Real Property Act Trust Account	71 458
Recreation and Sport Disability Foundation of South Australia	12 273
Recreational Boating Facilities Fund	1 728 571
RESI Corporation Account	267 726
RESI FP Pty Ltd Account	4 851
Residential Tenancies Fund	441 201
Retail Shop Leases Fund	134 138
Returned and Services League of Australia (South Australian Branch) Incorporated	773 777
Returned and Services League of Australia—Poppy Day Trust Inc. —Enfield Project Account	374 980
River Murray Catchment Water Management Board	2 160 425
Rural Counselling Fund	-
Second-Hand Vehicles Compensation Fund	156 339
Soil Conservation and Land Care Fund	23 022
South Australian Aboriginal Housing Authority	4 244 209
South Australian Community Housing Development Fund	1 763 078
South Australian Co-ordinated Care—Care 21	-
South Australian Co-ordinated Care—SA Health Plus	2 257 179
South Australian Country Arts Trust	1 017 799
South Australian Film Corporation Investors Returns Account	152 655
South Australian Finance Trust Limited	103 669
South Australian Government Financing Authority	147 422 964
South Australian Health Commission Operating Account	-
South Australian Housing Trust	40 891 332
South Australian Metropolitan Fire Service	23 240 163
South Australian Metropolitan Fire Service Superannuation Trustees Account	-
South Australian Ports Corporation	1 522 422
South Australian Sheep Industry Fund	611 133
South Australian Sports Promotion, Cultural and Health Advancement Trust	-
South Australian Superannuation Fund	-
South Australian Timber Corporation	1 295 795
South Australian Tourism Commission	6 271 025
South Australian Water Corporation	1 828 668
South East Catchment Water Management Board	949 242
Southern Group Insurance Corporate Account	147 918
Southern State Superannuation Fund	-
State Disaster Relief Fund	87 594
State Supply Board—Gaming Machine Operations	3 468 820
Superannuation Funds Management Corporation Operating Account	780 631
Supreme Court Suits Fund	19 749 924
Swine Compensation Fund	973 966
Teachers' Registration Board	1 112 091
Totalizator Agency Board—Capital Infrastructure Fund	1 826 281
TransAdelaide	21 670 881
Transmission Lessor Corporation Account	1 036 309
Upper South East Dryland Salinity Project	809 391
Water Resources Levy Fund	2 405 230
Woods, Bagot, Jory and Laybourne-Smith—National War Memorial Account	1 900
Woods and Forests—Research into Forest Pest Disease	8 807
World Congress on Information Technology 2002	83 295
Sub-Total	498 557 140

STATEMENT G—continuedDEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2001—*continued*
(Section 22 (a) (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to section 21 of the *Public Finance and Audit Act*) on behalf of various bodies.

\$

Non-interest bearing—	
Adelaide Children's Court	3 664
Adelaide Local Court	-
Adelaide Magistrates Court	183 757
Agriculture—Research and Services Grants	14 321 917
Animal and Plant Control Commission Fund	460 835
Children's Services Office—Capital Assistance Fund	192 235
Coast Protection Fund	439 968
Companies Liquidation Account	18 548
Commissioner for Equal Opportunity Account	1 000
Contractors' Deposits	110 546
Co-operatives Liquidation Account	65 393
Correctional Services—Prisoners' Moneys	252 297
Economic Development Authority	12 543 811
Extractive Areas Rehabilitation Fund	3 931 384
Fisheries—Research and Development Fund	1 863 730
Government's Light Motor Vehicle Replacement Program	8 202 789
Metropolitan Drainage Maintenance Fund	101 557
Natural Gas Authority of South Australia	398 918
Recreation and Sport Fund	998 799
Sheriff's Office Account	58 372
South Eastern Water Conservation and Drainage Board	87 762
State Heritage Fund	216 532
Unclaimed Salaries and Wages Account	294 272
Void Departmental Cheques	648 658
Wildlife Conservation Fund	627 427
Workmen's Liens	328 111
Sub-Total	<u>46 352 282</u>
Total Deposits lodged with the Treasurer	<u><u>544 909 422</u></u>

ROB LUCAS, Treasurer

STATEMENT H**IMPREST ACCOUNTS**(Section 22 (a) (vii) *Public Finance and Audit Act 1987*)

These amounts represent moneys advanced by the Treasurer to Chief Executive Officers pursuant to section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recouped from departmental moneys.

By Whom Held	Agency	Unappropriated Funds Allocated
		\$
Chief Executive	Department for Administrative and Information Services	120 950
Chief Executive	Attorney-General's Department.....	41 020
Auditor-General	Auditor-General's Department.....	3 100
Chief Executive	Department of Education, Training and Employment.....	619 700
Clerk	House of Assembly.....	344
Chief Executive	Department of Human Services	285 000
Chief Executive	Department of Industry and Trade.....	3 000
Chief Executive	South Australian Police Department.....	200 000
Chief Executive	Department of the Premier and Cabinet.....	4 380
Chief Executive	Department of Primary Industries and Resources.....	92 000
Electoral Commissioner	State Electoral Office.....	200
Chief Executive	Department for Environment and Heritage.....	8 000
Chief Executive	Department for Transport, Urban Planning and the Arts	282 590
Under Treasurer	Department of Treasury and Finance.....	7 000
	Total	<u>1 667 284</u>

 ROB LUCAS, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2001 (Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

This statement provides details on the total indebtedness of the Treasurer as prescribed in section 22 (a) (viii) of the *Public Finance and Audit Act, 1987*.

Lending arrangements within the South Australian public sector in essence give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and commercial sector agencies and the consolidation of non-commercial sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the non-commercial sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2001 was \$3 754.9 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2000-01 the Consolidated Account financing requirement was \$150.8 million and was met by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:-

	2000-01 \$ 000	1999-2000 \$ 000
Loans to State Government Departments		
Administrative and Information Services—		
Operations.....	3 497	12 771
Government Commercial Properties	51 187	51 187
Government Employee Residential Properties	40 109	42 049
Environment and Heritage	38 054	38 054
Industry and Trade.....	6 290	9 581
Primary Industries and Resources—		
Gulf St Vincent Prawn Fishery	3 053	4 345
Rural Loans	2 285	1 633
Transport, Urban Planning and the Arts.....	58 661	65 661
	203 136	225 281
Loans to Statutory Authorities and other bodies		
Adelaide Bank.....	1 406	1 406
Adelaide Festival Centre Trust	28 368	28 368
Basketball Association of South Australia Incorporated	10 870	11 000
Board of the Botanic Gardens	200	327
ETAFA National Centre	124	185
Fire Equipment Services Incorporation.....	300	300
Flinders Medical Centre.....	23 489	22 890
Home Builders' Account No. 2.....	14 364	14 364
Land Management Corporation	3 904	3 889
Lotteries Commission	9 571	10 665
Lyrup Village Association.....	69	69
Medical Board of South Australia	157	181
Minister for Education and Children's Services	9 460	11 460
Minister for Government Enterprises	28 830	28 480
Minister for Industry and Trade.....	5 970	7 462
Minister for Recreation, Sport and Racing.....	514	535
Passenger Transport Board.....	3 849	5 949
Pyap Irrigation Trust	32	32

STATEMENT I—continuedINDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2001—continued
(Section 22 (a) (viii) *Public Finance and Audit Act 1987*)

	2000-01 \$ 000	1999-2000 \$ 000
Loans to Statutory Authorities and other bodies—continued		
Renmark Irrigation Trust.....	2 016	2 899
South Australian Country Arts Trust.....	15 777	15 797
South Australian Cricket Association Incorporated.....	6 518	6 801
South Australian Housing Trust.....	841 608	856 489
South Australian Motor Sport Board.....	2 250	—
South Western Suburbs Drainage.....	3 373	3 373
South Australian Tourism Commission.....	1 400	—
TransAdelaide.....	112 233	128 736
University of South Australia.....	20 000	25 000
West Beach Trust.....	2 716	2 716
Womens and Childrens Hospital.....	5 897	5 901
Woodville, Henley and Grange Drainage.....	284	284
	1 155 549	1 195 558
Equity contributions		
Adelaide Convention Centre Corporation.....	77 794	77 794
Adelaide Entertainments Corporation.....	55 536	55 536
Administrative and Information Services—		
Operations.....	101 665	107 864
Government Commercial Properties.....	63 529	63 529
Distribution Lessor Corporation.....	33 273	33 273
Forestry SA.....	24 984	24 984
Generation Lessor Corporation.....	24 539	7 011
National Electricity Administrator.....	93	93
National Electricity Market Management Company.....	490	490
Passenger Transport Board.....	4 000	—
Police Department.....	15 212	—
Primary Industries and Resources.....	1 059	1 059
RESI Corporation.....	—	300 000
SA Water Corporation.....	274 950	304 650
South Australian Asset Management Corporation.....	52 716	52 716
South Australian Film Corporation.....	8 460	8 460
South Australian Ports Corporation.....	15 000	15 000
Transmission Lessor Corporation.....	13 869	—
Transport, Urban Planning and the Arts.....	39 014	—
	806 183	1 052 459
Other		
Debt associated with indemnity payments to the former State Bank of South Australia.....	2 002 173	2 002 173
Less: Proceeds from asset sales.....	—	—
	2 002 173	2 002 173
Debt associated with recapitalisation of State Government Insurance Commission.....	335 077	335 077
Unallocated debt.....	(747 209)	1 042 352
Total Treasurer's Indebtedness to SAFA.....	3 754 909	5 852 900

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.

The Treasurer is also authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) *Public Finance and Audit Act 1987*)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below—

Indebtedness

The indebtedness of the Government to SAFA stems from—

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness in respect of payments made on account of the Government's indemnity arrangements with the former State Bank of South Australia;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- assumption by the Government of obligations of semi-government authorities and Public Sector financial institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2000-01 is summarised as follows—

	\$ million
Balance at 30 June 2000	5 853
<i>Add-</i> Consolidated Account borrowing in 2000-01	151
<i>Add-</i> Assumption of electricity entity debt.....	306
<i>Add-</i> SAFA book gains/losses (net).....	5
<i>Less-</i> Repayment of borrowing	2 550
<i>Less-</i> Other minor adjustments (net)	10
Balance at 30 June 2001	3 755

SAFA's accounting policy in relation to gains and losses resulting from debt management transactions is to recognise these gains and losses immediately in its profit and loss account and recoup the gain/loss through an adjustment to the Treasurer's debt level.

Cash Balances

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2000-01 interest at the Common Public Sector Interest Rate (CPSIR) was paid to the Treasurer by SAFA in respect of those balances held by the Treasurer which earn interest at the CPSIR. The Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate in respect of the remaining funds deposited with SAFA.

At 30 June 2001 the amount deposited by the Treasurer with SAFA was \$1 028 million.

Statement C shows details of cash balances held by the Treasurer at 30 June 2001 and the form in which those balances were held.

Capital and Surpluses

Consistent with the South Australian Commission of Audit recommendations of April 1994, SAFA has repaid all capital contributions from the Government.

The size of SAFA's operating surplus in 2000-01 was \$45 million. SAFA and its controlled entities come under the Tax Equivalent Regime (TER) and under this arrangement \$8.8 million from the surplus was paid to Consolidated Account in 2000-01 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the TER payment in 2000-01 the amount of SAFA's surplus potentially available for distribution at 30 June 2001 was \$263 million. The Treasurer determined that there would be no distribution for 2000-01.

STATEMENT J—continued

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH
AUSTRALIAN GOVERNMENT FINANCING AUTHORITY—*continued*
(Section 22 (a) (ix) *Public Finance and Audit Act 1987*)

Banking Arrangements

Similar to many other semi-government authorities, SAFA operates a Deposit Account—see Statement G. Any surplus funds otherwise standing to the credit of the Account are invested by SAFA each day.

Government Guarantee

All the liabilities of SAFA are unconditionally guaranteed by the State pursuant to section 15 of the *Government Financing Authority Act 1982*. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

ROB LUCAS, Treasurer

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND
(Section 22 (a) (xi) (A) and (B) *Public Finance and Audit Act 1987*)

	\$
Maximum amount that could have been appropriated from the Fund in 2000-01.....	174 749 460

	Amounts Issued and Applied
--	-------------------------------

	\$
Department of Premier and Cabinet	69 668
Auditor-General's Department	400 000
Administered Items for the Auditor-General's Department	290 000
Administered Items for Department of Treasury and Finance	75 015 907
Department of Industry and Trade	1 277 569
Administered Items for Department of Transport, Urban Planning and the Arts.....	166 563
TransAdelaide	2 877 384
Minister for Government Enterprises and Minister for Information Economy – Other Items	2 873 483
Department for Education, Training and Employment.....	17 925 000
Administered Items for Department for Environment and Heritage.....	1 645 377
Department for Water Resources	2 338 800
South Australian Tourism Commission	530 000
Minister for Tourism – Other Items.....	9 021 709
Minister for Local Government – Other Items.....	242 000
Total	114 673 460

STATEMENT K—continued

STATEMENT OF APPROPRIATION AUTHORITIES—continued

 TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT
 (Section 22 (a) (xii) *Public Finance and Audit Act 1987*)

No transfers were made during 2000-01.

 REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT
 (Section 22 (a) (xiv) *Public Finance and Audit Act 1987*)

No reductions were made during 2000-01.

 APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE
 CONSOLIDATED ACCOUNT, 2000-01
 (Section 22 (a) (xiii) *Public Finance and Audit Act 1987*)

	Appropriation Authority	Actual Payments
	\$	\$
<i>Appropriation Act 2000</i> section 4.....	5 820 208 000	
<i>Public Finance and Audit Act 1987</i> — Section 15.....	—	
	<u>5 820 208 000</u>	5 571 599 810
The Governor's Appropriation Fund, <i>Public Finance and Audit Act 1987</i> — Section 12	174 749 460	114 673 460
	<u>5 994 957 460</u>	<u>5 686 273 270</u>
Specific appropriation authorised in various Acts.....	207 837 158	207 837 158
	<u>6 202 794 618</u>	<u>5 894 110 428</u>
Total.....	<u>6 202 794 618</u>	<u>5 894 110 428</u>

 ROB LUCAS, Treasurer

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