

SOUTH AUSTRALIA

Report
of the
Auditor-General

Annual Report
for the
year ended 30 June 2008

Tabled in the House of Assembly and ordered to be published, 14 October 2008

Third Session, Fifty-First Parliament

Part B: Agency Audit Reports

Volume I

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2008

**Report of the Auditor-General
Annual Report for the year ended 30 June 2008**

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APF II	General Purpose Financial Reporting Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
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LEGISLATION

Reference	Title
ITAA	<i>Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSM Act	<i>Public Sector Management Act 1995</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards ¹
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GST	Goods and Services Tax
ICT	Information and Communications Technology
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board and any of the following standards: AAS 25, AAS 29 and AAS 31 and associated amendments to transitional provisions (AAS 29A, AAS 31A) which are in force in relation to the reporting period to which the financial report relates.

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

Reference should also be made to Part A — Audit Overview and Part C — State Finances and Related Matters which also contain comments on specific matters of importance and interest.

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VOLUMES I, II, III, IV and V

ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

Part B — Volumes I, II, III, IV and V of the Report of the Auditor-General contains the financial statements of, and comments concerning, the operations of those public sector agencies that I am required by law to audit and that are defined by the PFAA as 'public authorities'. Where appropriate, charts and tables have been used to illustrate selected information.

AGENCIES NOT INCLUDED IN THIS REPORT

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

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

- Materiality of financial operations.
- Materiality of any impact on the public finances.
- Consolidation of the financial operations in the parent entity's financial statements included in this Report.
- Timeliness of information.
- Materiality of issues arising from the audit.
- Public interest.

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

SUPPLEMENTARY REPORT

There are also agencies whose financial statements had not been finalised and the audits were continuing at time of preparing this Report. The financial statements for and commentary on the operations of the following agencies will be included in a Supplementary Report to be presented to Parliament later this year:

- Department of Primary Industries and Resources
- Department for Transport, Energy and Infrastructure

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The PFAA requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2008 was conducted by Edwards Marshall, Chartered Accountants, who have issued an unmodified Independent Auditor's Report on the Department's financial statements.

MODIFIED INDEPENDENT AUDITOR'S REPORTS

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

For those agencies that I am required to audit, I issue an Independent Auditor's Report on the financial statements in accordance with professional requirements and standards. The opinion expressed in that Report is usually unmodified but where, in my opinion, circumstances so warrant, a modified opinion is expressed. In extreme cases it may be necessary to decline to express an opinion.

In all cases where a modified opinion is given, the Independent Auditor's Report includes an explanatory paragraph clearly describing the reason for issuing a modified opinion.

For the financial year ended 30 June 2008 modified opinions were expressed on the financial statements of the following agencies:

- Department for Environment and Heritage
- Local Government Finance Authority of South Australia
- South Australian Forestry Corporation
- South Australian Motor Sport Board
- University of South Australia.

CONTROLS OPINION

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

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

REFERENCES TO MATTERS OF SIGNIFICANCE

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

ADELAIDE CONVENTION CENTRE CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Adelaide Convention Centre Corporation (the Corporation), a subsidiary to the Minister for Tourism, was established pursuant to regulations under the PCA.

Functions

The main function of the Corporation is to manage the Adelaide Convention Centre. For more information about the Corporation's functions refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

The Schedule to the PCA and subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of Controls

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

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- revenue from events, car park and Regatta's bistro
- payroll
- procurement and expenditure on supplies and services
- inventory
- buildings, plant and equipment
- general ledger.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Adelaide Convention Centre Corporation as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Convention Centre Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Convention Centre Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

A management letter was forwarded to the Chief Executive Officer of the Corporation advising recommendations for improvements in some areas of financial accounting and control processes. These included areas of procurement policy and planning and contract renewal, stores requisitioning, processing of employee time and leave data and confirmation processing of general ledger journals.

The Corporation responded with actions that dealt adequately with the matters raised in the management letter.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Income Statement

Income

The Corporation's income from trading activities rose by \$1.7 million to \$28.5 million due mainly to higher income from catering activities.

Expenses

The Corporation's expenses from trading activities rose by \$1.9 million to \$24.2 million due mainly to increases of:

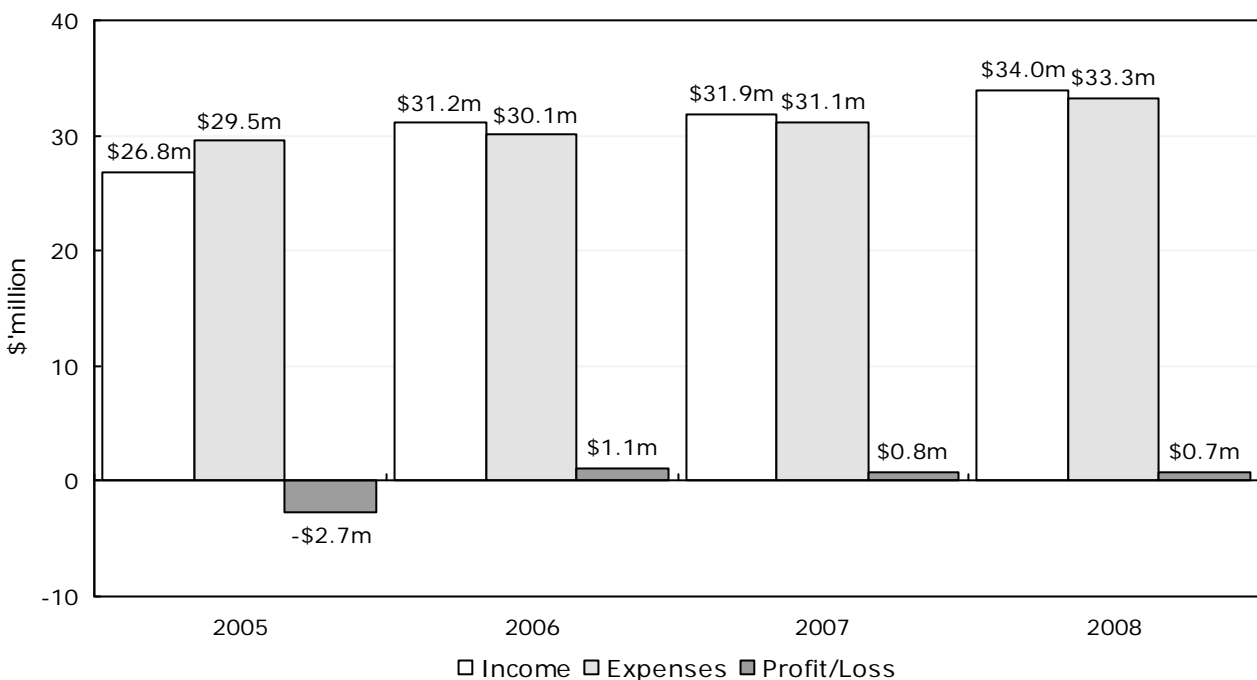
- \$818 000 in salaries and wages for casual and permanent staff
- \$783 000 in supplies and services expenses resulting mainly from higher expenditure on food, beverages, contract staff and promotional brochures.

Net Result

The Corporation achieved a profit of \$4.3 million (\$4.5 million) from trading activities while property management activities realised a loss of \$3.3 million (\$3.4 million).

The Corporation reported a net profit of \$732 000 (\$758 000) after deducting income tax equivalent expense of \$314 000 (\$325 000).

The following chart shows the income, expenses (including income tax equivalent expense) and profits/losses for the four years to 2008. Profits have been recorded in every year after 2005. The loss in 2005 was due mainly to a loss on the revaluation of buildings last performed in May 2005.



Balance Sheet

The Corporation's net assets of \$155.6 million include \$133.6 million of buildings, plant and equipment.

Receivables increased by \$625 000 due mainly to a change in the accounting policy for the recognition of security deposits. For details of the change refer to Note 4 of the financial report.

Payables of \$2.9 million (\$2.9 million) include income tax and dividends of \$1.7 million payable to the SA Government for 2008 and prior years. The increase in payables from accumulated unpaid income tax and dividends was offset by reduced payables to creditors for the construction of a stairway and signage.

Cash Flow Statement

Cash held by the Corporation was \$27.8 million (\$25 million) and includes \$15.4 million (\$13 million) in specific purpose deposits of which \$13.4 million (\$11.2 million) is earmarked for future assets replacement.

Income Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
INCOME FROM TRADING ACTIVITIES:			
Facility charges	5	27 358	25 912
Interest		952	723
Other income		179	117
Total Income from Trading Activities		28 489	26 752
EXPENSES FROM TRADING ACTIVITIES:			
Employee expenses	6	13 976	12 954
Supplies and services	9	8 240	7 457
Depreciation and amortisation	11	1 952	1 852
Net loss from disposal of assets	12	13	24
Total Expenses from Trading Activities		24 181	22 287
PROFIT FROM TRADING ACTIVITIES		4 308	4 465
INCOME FROM PROPERTY MANAGEMENT ACTIVITIES:			
Contribution from SA Government		4 489	4 377
Interest		993	757
Total Income from Property Management Activities		5 482	5 134
EXPENSES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Employee expenses	6	1 956	1 867
Supplies and services	9	3 719	3 615
Depreciation and amortisation	11	3 069	3 034
Total Expenses from Property Management Activities		8 744	8 516
LOSS FROM PROPERTY MANAGEMENT ACTIVITIES		(3 262)	(3 382)
PROFIT BEFORE INCOME TAX EQUIVALENTS		1 046	1 083
Income tax equivalent expense		314	325
NET PROFIT AFTER INCOME TAX EQUIVALENTS		732	758

Net profit after income tax equivalents is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	22	12 395	11 992
Receivables	13	1 819	1 194
Inventories		336	237
Prepayments		170	144
Total Current Assets		14 720	13 567
NON-CURRENT ASSETS:			
Specific purpose deposits	14, 22	15 399	13 030
Buildings, plant and equipment	15	133 613	136 430
Total Non-Current Assets		149 012	149 460
Total Assets		163 732	163 027
CURRENT LIABILITIES:			
Payables	16	2 893	2 881
Security deposits	17	3 334	3 017
Employee benefits	18(a)	975	794
Total Current Liabilities		7 202	6 692
NON-CURRENT LIABILITIES:			
Payables	16	53	58
Employee benefits	18(a)	906	967
Total Non-Current Liabilities		959	1 025
Total Liabilities		8 161	7 717
NET ASSETS		155 571	155 310
EQUITY:			
Contributed capital		77 804	77 804
Retained earnings		77 767	77 506
TOTAL EQUITY		155 571	155 310

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	19
Contingent assets and liabilities	20

Statement of Changes in Equity for the year ended 30 June 2008

		Contributed Capital	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2006		77 804	77 235	155 039
Distributions to SA Government	3.6	-	(487)	(487)
Net profit after income tax equivalents for 2006-07		-	758	758
Balance at 30 June 2007		<u>77 804</u>	<u>77 506</u>	<u>155 310</u>
Distributions to SA Government		-	(471)	(471)
Net profit after income tax equivalents for 2007-08		-	732	732
Balance at 30 June 2008		<u>77 804</u>	<u>77 767</u>	<u>155 571</u>

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

Cash Flow Statement for the year ended 30 June 2008

		2008 Inflows (Outflows)	2007 Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Facility charges		27 101	26 611
Contribution from SA Government		4 489	4 377
Interest received		1 905	1 480
GST receipts on facility charges		2 812	2 650
Other receipts		179	117
Total Inflows from Operating Activities		<u>36 486</u>	<u>35 235</u>
CASH OUTFLOWS:			
Payments to employees		(15 809)	(14 738)
Payments to suppliers		(12 865)	(9 517)
GST payments on purchases		(1 133)	(1 125)
GST payments to taxation authority		(1 690)	(1 662)
Total Outflows from Operating Activities		<u>(31 497)</u>	<u>(27 042)</u>
Net Cash provided by Operating Activities	22	<u>4 989</u>	<u>8 193</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of plant and equipment		39	28
Payments for property, plant and equipment		(2 256)	(3 498)
Net Cash used in Investing Activities		<u>(2 217)</u>	<u>(3 470)</u>
NET INCREASE IN CASH HELD		2 772	4 723
CASH AT 1 JULY		<u>25 022</u>	<u>20 299</u>
CASH AT 30 JUNE	22	<u>27 794</u>	<u>25 022</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions of the Adelaide Convention Centre Corporation

1.1 Establishment

The Adelaide Convention Centre Corporation (the Corporation) was established as a subsidiary to the Minister for Tourism by Regulations issued under the PCA.

1.2 Functions

The functions of the Corporation are to:

- manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Corporation;
- manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere;
- attract economic benefits to the State of South Australia;
- foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Corporation.

2. Funding

2.1 Funding

The SA Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas and the Riverbank Precinct, Exhibition Hall land rent, office accommodation rent and for replacement of assets.

The funding for asset replacement is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

All other financial activities of the Corporation are conducted through an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Operating Account'.

3. Summary of Significant Accounting Policies

3.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2008.

3.2 Basis of Preparation

The preparation of the financial report requires:

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

3.2 *Basis of Preparation (continued)*

The Corporation's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable. The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

3.3 *Comparative Information*

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or applicable Accounting Standard has required a change.

Comparative amounts are shown in brackets.

3.4 *Rounding*

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

3.5 *Taxation*

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit. The Treasurer has exempted capital funding from the calculation of the income tax equivalents.

The Corporation is liable for payroll tax, FBT, GST, emergency services levy, land tax and local government rates.

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

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

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

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

Income tax equivalent payable for 2007-08 is \$314 000 (\$325 000).

3.6 *Dividend Policy*

The Department of Treasury and Finance has determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents, less any capital funding. This distribution is reduced by the income tax equivalent expense plus the other Tax Equivalent Regime expenditure resulting in a dividend which is paid to the Department of Treasury and Finance. The deduction of income tax equivalent and other Tax Equivalent Regime expenditure from the gross 75 percent distribution ensures consistency with Competitive Neutrality and Department of Treasury and Finance policies concerning budget neutrality.

The dividend provided for 2007-08 is \$471 000 (\$487 000).

3.7 *Income and Expenses*

Income and expense are recognised to the extent that it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

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

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

Income from facility charges is derived from the provision of goods and services to the public and other SA Government agencies at the conclusion of an event or after a service has been provided. This income is driven by consumer demand.

3.7 Income and Expenses (continued)

The contribution from the SA Government is recognised as income when the Corporation obtains control over the assets. Control over this income is normally obtained upon receipt and they are accounted for in accordance with TI 3.

Interest income is recognised as it is accrued.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

The Corporation undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

3.8 Current and Non-Current Items

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

3.9 Cash

For the purposes of the Cash Flow Statement, cash includes cash on deposit, at bank, and on hand and deposits at call that are readily converted to cash. Cash on deposit (specific purpose deposits) cannot be used for operational cash purposes. Security deposits held at bank can be used for operational purposes at the conclusion of an event. Cash is measured at nominal value.

3.10 Receivables

Trade receivables include security deposits raised in accordance with a client's respective payment plan, the selling of goods and services to the public and to other SA Government agencies. Trade receivables are payable within 14 days after the issue of a deposit/tax invoice or the goods/services have been provided under a contractual arrangement.

Based on an assessment of the collection of trade receivables at balance date, the Corporation has determined that a provision for doubtful debts is not warranted.

3.11 Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of functions that will have a net realisable value that exceeds cost. Cost is assigned on a weighted average cost basis.

3.12 Non-Current Asset Acquisition and Recognition

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

The Corporation capitalises all non-current physical assets with a value equal or greater than \$300 or a useful life greater than three years.

The Corporation capitalises costs associated with projects to work in progress. On completion of a project the capitalised costs are transferred to the relevant non-current asset account. The balance of work in progress reflects costs for projects which are at various stages of completion as at 30 June 2008.

3.13 Revaluation of Non-Current Assets

In accordance with APF III all non-current physical assets are revalued every five years, with the last revaluation being undertaken as at 31 May 2005 by Rushton Valuers Pty Ltd with the fair value methodology of replacement cost less depreciation being adopted as the valuation basis.

Notwithstanding the above, all non-current assets are reviewed annually to ensure there are no material differences from their carrying amounts. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

3.14 Depreciation and Amortisation of Non-Current Assets

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

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

The value of leasehold improvements is amortised over the unexpired period of the relevant lease.

3.14 Depreciation and Amortisation of Non-Current Assets (continued)

Depreciation/amortisation for non-current assets is as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight line	30-50
Leasehold improvements	Straight line	Life of lease
Plant and equipment	Straight line	2-20

3.15 Payables

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

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

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

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

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

The Corporation makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

3.16 Security Deposits

The Corporation recognises security deposits at the time of raising a deposit/tax invoice in accordance with a client's respective payment plan. The Corporation will hold all security deposits received on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

3.17 Employee Benefits

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

Employer Superannuation

The Corporation made contributions of \$1.2 million (\$1.2 million) in respect of its employees for the financial year to several superannuation schemes operated by the SA Government.

Sick Leave

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

Workers Compensation

The Corporation is deemed to be an exempt employer by virtue of the WRCA and as such is liable for all medical, income and other day to day expenses associated with a claim. The Corporation is also liable for any lump sum, redemption or permanent disability type payments for claims occurring post 1 July 2006. Any claims prior to 1 July 2006 are funded through a central government fund. Given the immaterial nature of the claims existing as at 30 June 2008, no provision has been recognised in the Balance Sheet.

Accrued Salaries and Wages

Liability for salaries and wages is measured as the amount unpaid at 30 June 2008 at current remuneration rates.

Annual Leave

Provision has been made for the unused component of annual leave as at 30 June 2008. The liability is calculated at nominal amounts based on the 2008-09 pay rates and is expected to be paid during the next financial year.

Long Service Leave

A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with 6.5 (7) or more years' service as advised by the Department of Treasury and Finance. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been included in the provision and calculated in accordance with APF IV. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (35 percent of the liability at June 2008). 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 (65 percent). A weighted average superannuation contribution rate covering employees of various schemes of 11 percent was used as advised by the Department of Treasury and Finance.

The current component of long service leave is determined on what was taken during the current financial year and based on estimates of long service leave due to be taken during the next financial year.

3.18 Equity Contributed by the SA Government

Contributions made by the SA Government through its role as owner of the Corporation, which increase the net assets of the entity, are treated as contributions of equity. There was no additional capital contributed during 2007-08.

3.19 Leases*Finance Leases*

The Corporation has no finance leases.

Operating Leases

The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. The leases are reviewed each year for adjustments in the consumer price index.

3.20 Financial Instruments

The Corporation's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2008, are as follows:

Financial Assets

The Corporation has interest bearing cash assets with the SA Government. Cash on deposit and at bank comprises deposits at call with the Westpac Banking Corporation and are recorded at cost. Interest income is recognised as it is accrued. For the deposit with the Westpac Banking Corporation, the interest rate ranged from 6.17 percent to 7.09 percent.

Specific Purpose Deposits comprise the Future Asset Replacement Deposit Account with the Department of Treasury and Finance and the Adelaide Railway Station Area Service Facilities maintenance monies at the South Australian Government Financing Authority (SAFA). Both deposits and interest income are recorded at cost and are recognised as they accrue. The interest rate on the Deposit Account with the Department of Treasury and Finance ranged from 6.17 percent to 7.09 percent and the average interest rate on the monies at SAFA ranged from 6.40 percent to 7.67 percent.

Total Receivables are reported at amounts due. There are no interest rate risks associated with these financial assets.

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Financial Liabilities

Trade payables are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade payable.

Security deposits held are recorded at cost.

All financial instruments are valued at the carrying amount as per the Balance Sheet, which approximates net fair value.

3.21 Government/Non-Government Disclosures

In accordance with APF II, the Corporation has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government and have been classified according to their nature in relevant Notes to the accounts.

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

3.22 Program Information

The principle activity of the Corporation is to manage and operate the Adelaide Convention Centre site.

4. Change in Accounting Policy

The Corporation after reviewing its security deposit recognition criteria has changed from recognising a security deposit in the financial statements from the physical receipt of monies to the raising of the actual claim for the security deposit. This change is based on that the signing of the hire agreement gives the Corporation the control to charge the client all the payment plan steps as outlined in the hire agreement.

The financial effect of this change in the financial statements has been a \$773 000 increase in trade receivables and a corresponding increase in security deposits.

5. Facility Charges

	2008	2007
Facility Charges Received/Receivable from Entities external to the SA Government:	\$'000	\$'000
Catering	13 624	12 641
Room hire	3 372	3 736
Technical services	4 234	4 077
Car park	4 135	4 370
Total Facility Charges - Non-SA Government Entities	25 365	24 824

5. Facility Charges (continued)	2008	2007
Facility Charges Received/Receivable from Entities within the SA Government:	\$'000	\$'000
Catering	1 513	605
Room hire	125	156
Technical services	313	281
Car park	42	46
Total Facility Charges - SA Government Entities	1 993	1 088
Total Facility Charges	27 358	25 912

6. Employee Expenses		
Employee expenses comprise:		
Trading Activities:		
Salaries and wages	11 243	10 425
Long service leave	302	224
Annual leave	563	516
Superannuation	1 060	1 030
Employment on-costs - Other	759	710
Board fees	49	49
Total Employee Expenses - Trading Activities	13 976	12 954
Property Management Activities:		
Salaries and wages	1 576	1 514
Long service leave	48	34
Annual leave	89	98
Superannuation	153	139
Employment on-costs - Other	90	82
Total Employee Expenses - Property Management Activities	1 956	1 867
Total Employee Expenses	15 932	14 821

7. Remuneration of Employees	2008	2007
The number of employees whose remuneration received falls within the following bands:	Number of Employees	Number of Employees
\$100 000 - \$109 999	1	1
\$110 000 - \$119 999	1	3
\$120 000 - \$129 999	2	-
\$130 000 - \$139 999	1	-
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	-	1
\$270 000 - \$279 999	1	1
Total Number of Employees	7	7

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits and associated FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1 124 000 (\$1 050 000).

8. Remuneration of Board Members	2008	2007
The number of Board members whose remuneration received or receivable falls within the following bands:	Number of Members	Number of Members
\$0 (SA Government Employee)	1	1
\$1 - \$9 999	1	1
\$10 000 - \$19 999	4	4
	6	6

Remuneration of Board members reflects all costs of service including, Board fees and superannuation.

The total remuneration received by these employees for the year was \$53 000 (\$53 000).

9. Supplies and Services	2008	2007
Supplies and services comprises:	\$'000	\$'000
Supplies and services - Trading activities	8 240	7 457
Supplies and services - Property management activities	3 719	3 615
Total Supplies and Services	11 959	11 072
Supplies and Services provided by Entities external to the SA Government:		
Administration expenses and sundries	2 550	2 696
Direct materials	4 764	4 482
Building service costs	2 123	1 703
Maintenance	763	705
Marketing and promotions	648	424
Total Supplies and Services - Non-SA Government Entities	10 848	10 010

9. Supplies and Services (continued)	2008	2007
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Building service costs	1 068	1 020
Administration expenses and sundries	43	42
Total Supplies and Services - SA Government Entities	1 111	1 062
Total Supplies and Services	11 959	11 072

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	1	9	-	-
Between \$10 000 and \$50 000	-	-	4	123
Above \$50 000	-	-	2	227
Total Paid/Payable to the Consultants Engaged	1	9	6	350

10. Auditor's Remuneration	2008	2007
Audit Fees paid/payable to the Auditor-General's Department	\$'000	\$'000
Total Audit Fees - SA Government Entities	37	36
	37	36

11. Depreciation and Amortisation		
Depreciation and amortisation comprises:		
Depreciation and amortisation - Trading activities	1 952	1 852
Depreciation and amortisation - Property management activities	3 069	3 034
Total Depreciation and Amortisation	5 021	4 886

Depreciation:		
Plant and equipment	1 935	1 835
Buildings	3 069	3 034
Total Depreciation	5 004	4 869

Amortisation:		
Leasehold improvements	17	17
Total Amortisation	17	17
Total Depreciation and Amortisation	5 021	4 886

12. Net Loss from Disposal of Non-Current Assets		
Building, plant and equipment		
Proceeds from disposal	39	28
Net book value of assets disposed	52	52
Total Net Loss from Disposal of Non-Current Assets	(13)	(24)

13. Receivables		
Receivables from Non-SA Government Entities:		
Receivables	1 468	900
Accrued income	313	267
GST receivable	38	27
Total Receivables	1 819	1 194

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued income are non-interest bearing. It is not anticipated that counter-parties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

14. Specific Purpose Deposits	2008	2007
Specific Purpose Deposits with SA Government Entities:	\$'000	\$'000
Investments with SAFA	1 986	1 853
Future assets replacement deposit account	13 413	11 177
Total Specific Purpose Deposits	15 399	13 030

15. Building, Plant and Equipment	2008	2007
Building:	\$'000	\$'000
Building	134 907	133 827
Accumulated depreciation	(9 336)	(6 267)
Total Building	125 571	127 560
Leasehold Improvements:		
Leasehold improvements	170	170
Accumulated amortisation	(52)	(35)
Total Leasehold Improvements	118	135
Plant and Equipment:		
Plant and equipment	12 659	10 739
Accumulated depreciation	(5 254)	(3 373)
Total Plant and Equipment	7 405	7 366
Work in Progress:		
Work in progress	519	1 369
Total Work in Progress	519	1 369
Total Building, Plant and Equipment	133 613	136 430

Valuation of Non-Current Assets

Valuation of building, plant and equipment was performed by Rushton (Australia) Pty Ltd as at 31 May 2005.

Reconciliation of Building, Plant and Equipment

The following table shows the movement of building, plant and equipment during 2007-08.

	Building \$'000	Leasehold Improve- ments \$'000	Plant and Equipment \$'000	Work in Progress \$'000	2008 Total \$'000
Carrying amount at 1 July	127 560	135	7 366	1 369	136 430
Additions	178	-	1 538	540	2 256
Disposals	(2)	-	(50)	-	(52)
Depreciation and amortisation	(3 069)	(17)	(1 935)	-	(5 021)
Acquisition from transfer	904	-	486	(1 390)	-
Carrying Amount at 30 June	125 571	118	7 405	519	133 613

16. Payables	2008	2007
Current:	\$'000	\$'000
Creditors	935	1 668
Accrued expenses	128	177
Employment on-costs	135	127
Income tax equivalent payable	678	364
Dividend payable	1 017	545
Total Current Payables	2 893	2 881
Non-Current:		
Employment on-costs	53	58
Total Non-Current Payables	53	58
Total Payables	2 946	2 939
Government/Non-Government Payables:		
Payables to non-SA Government entities:		
Creditors	935	1 668
Accrued expenses	128	177
Total Payables to Non-SA Government Entities	1 063	1 845
Payables to SA Government entities:		
Employment on-costs	188	185
Income tax equivalent payable	678	364
Dividend payable	1 017	545
Total Payables to SA Government Entities	1 883	1 094
Total Payables	2 946	2 939

Interest Rate and Credit Risk

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

17. Security Deposits			2008	2007
Security Deposits from Entities external to the SA Government:	Note		\$'000	\$'000
Security deposits			2 974	2 867
Total Security Deposits external to the SA Government			2 974	2 867
Security Deposits from Entities within the SA Government				
Security deposits			360	150
Total Security Deposits from Entities within the SA Government			360	150
Total Security Deposits			3 334	3 017
18. (a) Employee Benefits				
Current:				
Accrued salaries and wages			238	215
Annual leave			483	484
Long service leave			254	95
Total Current Employee Benefits			975	794
Non-Current:				
Long service leave			906	967
Total Non-Current Employee Benefits			906	967
Total Employee Benefits			1 881	1 761
(b) Employee Benefits and Related On-costs				
Accrued Salaries and Wages:				
On-costs included in payables - Current	16		39	37
Employee benefits - Current	18(a)		238	215
			277	252
Annual Leave:				
On-costs included in payables - Current	16		81	84
Employee benefits - Current	18(a)		483	484
			564	568
Long Service Leave:				
On-costs included in payables - Current	16		15	6
Employee benefits - Current	18(a)		254	95
			269	101
Long Service Leave:				
On-costs included in payables - Non-current	16		53	58
Employee benefits - Non-current	18(a)		906	967
			959	1 025
Total Employee Benefits and Related On-Costs			2 069	1 946
19. Unrecognised Contractual Commitments				
Operating Leases Commitments:				
Within one year			488	472
Later than one year but not longer than five years			1 573	1 663
Later than five years			24 222	23 921
Total Operating Leases Commitments			26 283	26 056
Remuneration Commitments:				
Within one year			300	285
Later than one year but not longer than five years			601	854
Total Remuneration Commitments			901	1 139

Only one employee of the Corporation is remunerated under a fixed term employment contract. The term offered is not greater than five years.

20. Contingent Assets and Liabilities

The Corporation has no contingent assets or liabilities as at 30 June 2008.

21. Related Party

The names of each person holding the position as Board member of the Corporation during the financial year was as follows:

Ms J Jeffreys - Chairman
 Mr J Ellison
 Ms D Von Wald
 Ms J Jose
 Ms M Hender
 Mr A Brideson (appointed 30 November 2007)

The members of the Board may use the services and facilities of the Adelaide Convention Centre under terms and conditions no more favourable than members of the public.

22. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash includes cash on deposit, at bank and on hand. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	Note	2008 \$'000	2007 \$'000
Current:			
Cash on deposit and at bank		12 336	11 883
Cash on hand		59	109
		<u>12 395</u>	<u>11 992</u>
Non-Current:			
Specific purpose deposits	14	15 399	13 030
		<u>15 399</u>	<u>13 030</u>
Cash as Recorded in the Balance Sheet		<u>27 794</u>	<u>25 022</u>

Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax Equivalents:

Net cash provided by operating activities	4 989	8 193
Add (Less): Non-Cash Items:		
Depreciation and amortisation	(5 021)	(4 886)
Net loss from disposal of non-current assets	(13)	(24)
Changes in Assets/Liabilities:		
Increase in receivables	625	407
Increase (Decrease) in inventories	99	(85)
Increase (Decrease) in prepayments	26	(184)
Decrease (Increase) in payables	464	(1 511)
Increase in security deposits held	(317)	(1 079)
Increase in employee benefits	(120)	(73)
Net Profit	<u>732</u>	<u>758</u>

ADELAIDE ENTERTAINMENTS CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Adelaide Entertainments Corporation (the Corporation), was established on 4 February 1999 pursuant to regulations under the PCA. The Corporation is an instrumentality of the Crown. The Board of the Corporation is responsible to the Minister for Tourism.

Functions

The main function of the Corporation is to manage and operate the Adelaide Entertainment Centre. For details of the Corporation's functions refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 36(1)(b) of the PFAA and the Schedule to the PCA provides for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of Controls

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

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- corporate governance
- risk management
- strategic planning
- revenue
- payroll
- expenditure
- inventory
- non-current assets
- cash

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Adelaide Entertainments Corporation as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Accounting Standards (including the Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Entertainments Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Entertainments Corporation have been conducted properly and in accordance with the law.

Communication of Audit Matters

The audit noted some matters relating to the Corporation's financial accounting processes controls. These were raised with recommendations for improvement in the management letter to the Chief Executive Officer of the Corporation.

The matters covered the need to review policy and procedure relating to purchase authority and disbursement approval, improvement in the review and evidencing process exercised over certain reconciliations, ensuring controlled processing of general ledger journals, and revision of some other policy and procedure documentation.

The response from the Corporation advised implementation of measures that effectively address the matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Income Statement

The Corporation recorded a net profit of \$50.1 million for 2008 compared to \$2.1 million in 2007. The 2008 outcome results from a funding grant of \$50 million that was paid to the Corporation by the State Government in June 2008.

The grant is for the redevelopment of the entertainment facility. This is expected to occur over the next two years, subsequent to addressing certain matters, including detailed planning and design, development approvals, and evaluation and approval processes involving Public Works Committee review.

The following table shows the income, expenses and profits/losses for the four years to 2008.

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Income	64.9	15.3	9.4	10.2
Expenses	14.2	13.2	10.9	11.2
Profit (Loss)	50.7	2.1	(1.5)	(1.0)

Excluding the effect of the \$50 million grant received by the Corporation in June 2008, the Corporation would have recorded a \$700 000 profit for the year. This reflects the continuation of the strong event run from the previous year, albeit it was not as significant as experienced in 2006-07. The Corporation has covered its expenses from trading activities.

Balance Sheet

The Corporation's principal assets comprise land and buildings which were valued at \$63.9 million as at 30 June 2008. Receivables have decreased by \$3.9 million. This decrease relates to a section of land that was leased for a period of 99 years. Under the lease arrangements, \$2 million was received during 2006-07 with the balance of \$3.7 million a receivable as at 30 June 2007. This amount was subsequently paid during the current financial year.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	53.8	3.9	0.8	1.3
Investing	0.3	0.9	(1.5)	(0.7)
Change in Cash	54.1	4.8	(0.7)	0.6
Cash at 30 June	61.4	7.3	2.5	3.2

The analysis of cash flows shows that the Corporation's cash holdings have increased from \$7.3 million in 2007 to \$61.4 million in 2008. The Corporation received \$50 million appropriation from the SA Government in June 2008 for the construction of Adelaide Entertainment Centre facility enhancement.

**Income Statement
for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
INCOME FROM TRADING ACTIVITIES:			
Revenues from fees and charges	6	382	486
Revenues from the provision of services	7	6 530	7 413
Revenues from sales	8	4 503	4 451
Interest revenues	9	927	403
Revenues from Government	10	51 193	787
Other revenues	12	1 118	1 609
Net gain from the disposal of assets	11	9	-
Total Income		64 662	15 149
EXPENSES FROM TRADING ACTIVITIES:			
Employee benefit expense	13	5 248	4 914
Raw materials and consumables used	22	1 474	1 462
Sales and marketing		1 169	1 386
Ticketing		530	761
Supplies and services	16	802	791
Depreciation and amortisation expense	17	313	270
Other expenses	18	507	467
Net loss from disposal of assets	11	-	3
Total Expenses		10 043	10 054
PROFIT FROM TRADING ACTIVITIES		54 619	5 095
INCOME FROM PROPERTY MANAGEMENT ACTIVITIES:			
Other revenues	12	199	139
Total Income		199	139
EXPENSES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Employee benefit expense	13	239	183
Supplies and services	16	1 669	899
Depreciation and amortisation expense	17	2 068	1 742
Other expenses	18	139	353
Total Expenses		4 115	3 177
LOSS FROM PROPERTY MANAGEMENT ACTIVITIES		(3 916)	(3 038)
NET PROFIT ATTRIBUTABLE TO SA GOVERNMENT AS OWNER		50 703	2 057

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	20,32	61 451	7 356
Receivables	21	1 019	4 899
Inventories	22	105	106
Total Current Assets		62 575	12 361
NON-CURRENT ASSETS:			
Property, plant and equipment	23	63 890	65 909
Total Non-Current Assets		63 890	65 909
Total Assets		126 465	78 270
CURRENT LIABILITIES:			
Payables	24	2 694	2 033
Short-term employee benefits	25	394	349
Other liabilities	27	58	58
Total Current Liabilities		3 146	2 440
NON-CURRENT LIABILITIES:			
Payables	24	19	59
Long-term employee benefits	25	115	120
Other liabilities	27	5 533	5 591
Total Non-Current Liabilities		5 667	5 770
Total Liabilities		8 813	8 210
NET ASSETS		117 652	70 060
EQUITY:			
Contributed capital	28	55 536	55 536
Asset revaluation reserve	28	26 810	29 921
Accumulated surplus (deficit)	28	35 306	(15 397)
TOTAL EQUITY		117 652	70 060
Total equity is attributable to the SA Government as owner			
Commitments	29		
Contingent assets and liabilities	31		

Statement of Changes in Equity for the year ended 30 June 2008

	Asset			Total \$'000
	Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2006	55 536	17 497	(17 454)	55 579
Gain on revaluation of land during 2006-07	-	2 270	-	2 270
Gain on revaluation of building during during 2006-07	-	10 154	-	10 154
Net Income Recognised directly in Equity for 2006-07	-	12 424	-	12 424
Net profit for 2006-07	-	-	2 057	2 057
Total Recognised Income and Expense for 2006-07	-	12 424	2 057	14 481
Balance at 30 June 2007	55 536	29 921	(15 397)	70 060
Gain on revaluation of land during 2007-08	-	-	-	-
Reversal of previous revaluation caused from derecognition of building during 2007-08	-	(3 111)	-	(3 111)
Net Income Recognised directly in Equity for 2007-08	-	(3 111)	-	(3 111)
Net profit for 2007-08	-	-	50 703	50 703
Balance at 30 June 2008	55 536	26 810	35 306	117 652

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Receipts from the sale of goods and services		12 955	13 301
Interest received		927	403
Receipts from SA Government		50 788	787
GST receipts on receivables		1 253	1 343
Cash generated from Operations		65 923	15 834
CASH OUTFLOWS:			
Employee benefit payments		(5 447)	(5 018)
Supplies and services		(5 303)	(5 546)
GST payments on purchases		(816)	(573)
GST remitted to the ATO		(523)	(771)
Cash used in Operations		(12 089)	(11 908)
Net Cash provided by Operating Activities	32	53 834	3 926
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the lease of land		3 725	1 981
Proceeds from the sale of property, plant and equipment		9	-
Cash generated from Investing Activities		3 734	1 981
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(3 473)	(1 087)
Cash used in Investing Activities		(3 473)	(1 087)
Net Cash provided by Investing Activities		261	894
NET INCREASE IN CASH AND CASH EQUIVALENTS		54 095	4 820
CASH AND CASH EQUIVALENTS AT 1 JULY		7 356	2 536
CASH AND CASH EQUIVALENTS AT 30 JUNE	32	61 451	7 356

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Adelaide Entertainments Corporation

The Adelaide Entertainments Corporation (Corporation), trading as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the PCA.

The functions of the Corporation are to:

- manage and operate the Adelaide Entertainment Centre site;
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre;
- carry out any other functions conferred on the subsidiary by the Minister.

The Corporation is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the PCA. The Act and the charter require the preparation of a general purpose financial report which reflects the performance and position of the Corporation for each financial year ended 30 June.

2. Summary of Significant Accounting Policies

(a) *Statement of Compliance*

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the authority for the reporting period ending 30 June 2008.

(b) *Basis of Preparation*

The preparation of the financial report requires:

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

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) *Reporting Entity*

The financial report covers the Corporation, trading as the Adelaide Entertainment Centre as an individual reporting entity. The Corporation is a Statutory Authority of the State of South Australia, established pursuant to PCA.

(d) *Comparative Information*

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or accounting standard have required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) *Rounding*

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

(f) *Taxation*

The Corporation is not subject to income tax.

The Corporation is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

(f) Taxation (continued)

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

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

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

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

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

(g) Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(h) Income and Expenses

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

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

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

Income

The following are specific recognition criteria:

Revenues from Fees and Charges and from the Provision of Services

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

Revenues from Sales

Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

Rental Income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term.

Interest Income

Interest revenue includes interest received on bank term deposits, interest from investments, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Revenues from the SA Government

Appropriations for program funding are recognised as revenues when the Corporation obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of a loan, the Corporation has recorded a loan receivable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Corporation and the appropriation is recorded as contributed equity.

Other Contributions

All contributions from non-government entities are recognised as income when the Corporation obtains control of the contribution or the right to receive the contribution and the income recognition criteria are met.

Resources Received/Provided Free of Charge

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Disposal of Non-Current Assets

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

Expenses

The following are specific recognition criteria:

Employee Benefits

Employee benefit expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents the contributions made by the authority to the superannuation plan in respect of current services of current authorities staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

(i) Current and Non-Current Classification

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

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

(j) Cash and Cash Equivalents

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

Cash is measured at nominal value

(k) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

(l) Inventories

Inventories include goods and other property held for sale in the ordinary course of business. It excludes depreciating assets.

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

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

Inventories include food and beverage stock held for resale.

(m) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, the Corporation measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

(n) Revaluation of Non-Current Assets

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

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

The Corporation has taken the exemption available under APF III APS 3.10 to take asset revaluation adjustment to the asset revaluation reserve on a class basis rather than an individual asset basis.

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

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset. Previously this was accounted for using the gross method, where the gross carrying amounts of the assets and accumulated depreciation were disclosed.

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

(o) Impairment

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

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

(p) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

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

<i>Class of Assets</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight Line	24-140
Building improvements and fitouts	Straight Line	17-56
Plant and equipment	Straight Line	3-10
Furniture and fittings	Straight Line	3-10

(q) Payables

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

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

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

(q) Payables (continued)

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

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

The Corporation makes contributions to several externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid.

(r) Employee Benefits

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

Wages, Salaries, Annual Leave and Time Off in Lieu

Liability for salary and wages, annual leave and time off in lieu are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

Sick Leave

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed five years of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

In the 2008 financial year, the long service leave benchmark contained in the APF IV remained at 6.5 years. The Corporation has adopted five years as the benchmark for the measurement of the long service leave liability as of 2006, as this better reflects the Corporation's past experience of employee retention and the taking of leave.

The current component of long service leave is determined on what was taken during the current financial year and based on estimates of long service leave due to be taken during the 12 months ended 30 June 2009.

(s) Administered Items

The Corporation includes a schedule of administered items as a Note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Corporation's overall financial performance and position, in accordance with APF II APS 3.10.2.

The Corporation receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where a show does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the Corporation and other service providers.

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Corporation has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Corporation has entered into operating leases.

Operating Leases

During 2007 a section of land was leased on a 99 year lease agreement. The funds for the lease are being recognised as income over the life of the lease.

(u) Insurance

The Corporation has arranged, through SA Government Financing Authority, SAICORP Division, to insure all major risk of the Corporation. The excess payable under this arrangement is \$5000 per claim made.

(v) Workers Compensation

Contributions are made by the Corporation to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense when they occur. There is no liability for payments to claimants as they have been assumed by the WorkCover Corporation.

3. Financial Risk Management

The Corporation is exposed to a variety of financial risks, market risk (foreign exchange and price), credit risk and liquidity risk.

Risk management is carried out by the corporate services section and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and held to maturity investments).

The Corporation's exposure to foreign exchange risk and cash flow interest risk is minimal.

The Corporation has no significant concentration of credit risk. The Corporation has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

4. Changes in Accounting Policies

The Corporation has assessed the impact of the new and amended standards and interpretations which are not yet effective and considers there will be no impact on the accounting policies or the financial report of the Corporation.

5. Segment Information

The principle activity of the Corporation is to manage and operate the Adelaide Entertainment Centre.

6. Revenues from Fees and Charges

	2008	2007
	\$'000	\$'000
Fees and Charges received/receivable from Entities external to the SA Government:		
Merchandise revenues	382	486
Total Fees and Charges - Non-SA Government Entities	382	486

7. Revenues from the Provisions of Services

Services Provided to Entities external to the SA Government:		
Corporate revenue	1 866	1 812
Equipment hire	240	252
Recoveries	1 558	1 871
Venue hire	2 612	3 439
Total Revenues from the Provision of Services - Non-SA Government Entities	6 276	7 374
Services Provided to Entities within SA Government:		
Equipment hire	21	-
Recoveries	103	-
Venue hire	130	39
Total Revenues from the Provision of Services - SA Government Entities	254	39
Total Revenues from the Provision of Services	6 530	7 413

8. Revenues from Sales

Sales from Entities external to the SA Government:		
Beverage sales	1 626	1 675
Food sales	2 767	2 452
Total Revenues from Sales - Non-SA Government Entities	4 393	4 127
Sales from Entities within SA Government:		
Beverage sales	17	97
Food sales	93	227
Total Revenues from Sales - SA Government Entities	110	324
Total Revenues from Sales	4 503	4 451

9. Interest Revenues

Interest from entities external to the SA Government	247	209
Interest from entities within the SA Government	680	194
Total Interest Revenues	927	403

10. Revenues from SA Government

Revenues from SA Government:		
Appropriations for Emergency Services Levy	38	37
Appropriations for seating upgrades	750	750
Appropriations for facility enhancement	50 000	-
Other appropriations	405	-
Total Revenues from SA Government	51 193	787

During the year a \$50 million appropriation was received from SA Government for the construction of the Adelaide Entertainment Centre Facility Enhancement.

11. Net (Loss) Gain from Disposal of Assets	2008	2007
Plant and Equipment:	\$'000	\$'000
Proceeds from disposal	9	-
Less: Net book value of assets disposed	-	3
Net Gain (Loss) from Disposal of Plant and Equipment	9	(3)
Total Assets:		
Total proceeds from disposal	9	-
Less: Total value of assets disposed	-	3
Total Net Gain (Loss) from Disposal of Assets	9	(3)
12. Other Revenues		
Other Revenue:		
Trading activities:		
Car park	228	255
Inside charges	489	612
Other revenue	391	742
Total Other Revenues - Non-SA Government Entities	1 108	1 609
Other Revenue from Entities within SA Government:		
Other revenue	10	-
Total Other Revenues - SA Government Entities	10	-
Total Other Revenues from Trading Activities	1 118	1 609
Property Management Activities:		
Property lease revenue	184	125
Other revenue	15	14
Total Other Revenues from Property Management	199	139
Total Other Revenues - Non-SA Government Entities	1 317	1 748
13. Employee Benefits Expenses		
Trading Activities:		
Salaries and wages	3 895	3 757
Long service leave	99	60
Annual leave	265	201
Employment on-costs - Superannuation	384	356
Employment on-costs - Other	382	332
Board fees	87	75
Other employee related expenses	136	133
Total Employee Benefits Expenses from Trading Activities	5 248	4 914
Property Management Activities:		
Salaries and wages	216	171
Long service leave	12	1
Annual leave	11	11
Total Employee Benefits Expenses from Property Management Activities	239	183
Total Employee Benefits Expenses	5 487	5 097

During the year payments made to entities within SA Government include employment on-costs of \$353 000 (\$309 000).

<i>Remuneration of Employees</i>	2008	2007
The number of employees whose remuneration received or receivable falls within the following bands:	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	-	2
\$110 000 - \$119 999	2	-
\$130 000 - \$139 999*	1	-
\$180 000 - \$189 999	-	1
\$200 000 - \$209 999	1	-
Total Number of Employees	4	3

* Includes a separation payment to a former employee whose normal remuneration did not exceed \$100 000.

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. During the year a former employee whose normal remuneration did not exceed \$100 000 had total remuneration which includes a separation payment. The total remuneration received by these employees for the year was \$567 000 (\$402 000).

14. Key Management Personnel

(a) Board Members

The following persons held the position of governing board member during the financial year:

R Foord (Chairperson)	G Wallace
J Bell	G Pitt
A Herald	J Staugas
W Spurr	

(b) Other Key Management Personnel

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

Mr Anthony Kirchner	Chief Executive
Mr Tommy Pavic	Finance Manager
Ms Sally Arch	Manager - Venue Services
Mr Ross Beale	Manager - Corporate Relationships
Ms Coralie Cheney	Manager - Sales and Marketing
Mr Peter Morrelli	Manager - Food and Beverage (1 July 2007 to 4 April 2008)

(c) Remuneration of Governing Board Members

The number of governing board members whose remuneration received or receivable falls within the following bands:

	2008	2007
	Number of	Number of
	Members	Members
\$0 - \$9 999	-	1
\$10 000 - \$19 999	7	6
Total Number of Governing Board Members	7	7

Remuneration of committee members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$82 000 (\$71 000).

Amounts paid to a superannuation plan for board/committee members was \$6000 (\$5000).

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

15. Related Party

Related parties include parties that control or have an interest in the entity that gives it significant influence over the Corporation.

The Corporation is controlled by the SA Government. Transactions and balances between the Corporation and related parties (other SA Government controlled entities) are disclosed in the Notes accompanying the financial statements where appropriate.

16. Supplies and Services

Supplies and Services

Trading Activities:

Supplies and services provided by entities external to the SA Government:

Contractors	188	172
Equipment hire	76	75
Legal	8	14
Linen and laundry	85	81
Printing and stationery	86	61
Repairs and maintenance	113	135
Utilities	134	139
Total Supplies and Services - Non-SA Government Entities	690	677

Supplies and services provided by entities within the SA Government:

Insurance	112	114
Total Supplies and Services - SA Government Entities	112	114
Total Supplies and Services from Trading Activities	802	791

Property Management Activities:

Supplies and services provided by entities external to the SA Government:

Contractors	7	-
Repairs and maintenance	578	500
Utilities	239	259
Total Supplies and Services - Non-SA Government Entities	824	759

Supplies and services provided by entities within the SA Government:

Contractors	695	-
Utilities	150	140
Total Supplies and Services - SA Government Entities	845	140
Total Supplies and Services from Property Management Activities	1 669	899
Total Supplies and Services	2 471	1 690

The total supplies and services amount disclosed include GST amounts non-recoverable from the ATO due to the Corporation not holding a valid tax invoice or payments relating to third party arrangements.

16. Supplies and Services (continued)

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

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	5	24	3	19
Between \$10 000 and \$50 000	4	117	1	45
Total Paid/Payable to the Consultants Engaged	9	141	4	64

17. Depreciation and Amortisation

	2008	2007
	\$'000	\$'000
Depreciation:		
Trading activities:		
Plant and equipment	313	270
Total Depreciation for Trading Activities	313	270
Property management activities:		
Buildings	2 068	1 742
Total Depreciation for Property Management	2 068	1 742
Total Depreciation	2 381	2 012

18. Other Expenses

Trading Activities:

Other expenses paid/payable to entities external to the SA Government:

Other	479	440
Total Other Expenses - Non-SA Government Entities	479	440

Other expenses paid/payable to entities within the SA Government:

Other	28	27
Total Other Expenses - SA Government Entities	28	27
Total Other Expenses from Trading Activities	507	467

Property Management Activities:

Other expenses paid/payable to entities external to the SA Government:

Other	139	353
Total Other Expenses - Non-SA Government Entities from Property Management Activities	139	353
Total Other Expenses	646	820

19. Auditor's Remuneration

Audit fees of \$28 000 (\$27 000) were paid/payable to the Auditor-General's Department.

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

20. Cash and Cash Equivalents

Cash at bank and cash on hand	2 419	2 286
Short-term deposits with SAFA	59 032	5 070
Total Cash and Cash Equivalents	61 451	7 356

During the year a \$50 million appropriation was received from the South Australian Government for the construction of the Adelaide Entertainment Centre Facility Enhancement.

Short-term Deposits

The cash deposits are carried at cost in accordance with APF IV APS 2.1. They are on-call and carry an average variable interest rate of 7.05 percent (6.25 percent). The SAFA Cash Management Fund is a pooled investment portfolio comprising cash and short-term money market securities of high credit quality and marketability. The portfolio return is calculated daily, being the total earnings on the portfolio's investments from the close of business on the previous day. Interest is accrued daily and distributed monthly.

Interest Rate Risk

Cash on hand is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

21. Receivables

	2008	2007
	\$'000	\$'000
Current:		
Receivables	630	881
Less: Provision for doubtful debts	8	8
Accrued revenues	237	3 919
Prepayments	67	100
GST receivable	93	7
Total Current Receivables	1 019	4 899

21. Receivables (continued)	2008	2007
	\$'000	\$'000
Government/Non-Government Receivables:		
Receivables from non-SA Government entities:		
Receivables	604	868
Less: Provision for doubtful debts	8	8
Accrued revenues	32	3 892
Prepayments	67	100
GST receivable	93	7
Total Receivables from Non-SA Government Entities	788	4 859
Receivables from SA Government entities:		
Receivables	26	13
Accrued revenues	205	27
Total Receivables from SA Government Entities	231	40
Total Receivables	1 019	4 899

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'other expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the Provision for Doubtful Debts (Impairment Loss)	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	(8)	(8)
Increase in the provision	-	-
Amounts written off	-	-
Carrying Amount at 30 June	(8)	(8)

Interest Rate and Credit Risk

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

Bad and Doubtful Debts

The Corporation has recognised no bad and doubtful debt expense in the Income Statement.

22. Inventories	2008	2007
	\$'000	\$'000
Current - Inventories Held for Resale:		
Beverages	91	92
Food	14	14
Total Inventories Held for Resale	105	106

Inventory Wastage

The Corporation has recognised an inventory wastage expense of \$20 000 (\$28 000) in the Income Statement.

Raw Materials and Consumables

The Corporation recognised an expense for raw materials and consumables of \$1.5 million (\$1.5 million).

23. Property, Plant and Equipment	2008	2007
	\$'000	\$'000
Land and Buildings:		
Land at fair value	18 320	18 320
Buildings at fair value - Net method	42 651	45 762
Buildings at fair value - Gross method	-	-
Accumulated depreciation	(2 004)	-
Total Land and Buildings	58 967	64 082
Building Improvements:		
Building improvements at fair value	2 032	-
Accumulated amortisation	(64)	-
Total Building Improvements	1 968	-
Work in progress	1 076	234
Total Work in Progress	1 076	234
Plant and Equipment:		
Plant and equipment at cost	4 382	3 783
Accumulated depreciation	(2 503)	(2 190)
Total Plant and Equipment	1 879	1 593
Total Property, Plant and Equipment	63 890	65 909

23. Property, Plant and Equipment (continued)	2008	2007
Carrying amount of property, plant and equipment that would have been recognised if these assets were stated at cost:	\$'000	\$'000
Land and buildings	34 495	34 161
Plant and equipment	2 067	1 827
Total Carrying Amount of Property, Plant and Equipment that would have been recognised if these Assets were stated at Cost	36 562	35 988

Valuation of Land and Buildings

The valuation of land and buildings was performed by Martin Burns, an independent valuer from Liquid Pacific as at 30 June 2007. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use. During the year a revaluation decrement was recognised due to the disposal of Arena Seats with a revalued carrying amount of \$3 111 000.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2008.

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets during 2007-08.

	Land \$'000	Buildings \$'000	Building Imprvmnts \$'000	Site Plant and Equipment \$'000	Work in Progress \$'000	Non- Current Assets Total \$'000
Carrying amount at 1 July	18 320	45 762	-	1 593	234	65 909
Additions	-	-	-	-	3 473	3 473
Transfers in (out)	-	-	2 032	599	(2 631)	-
Disposals eg sales, write-off	-	-	-	-	-	-
Revaluation increment (decrement)	-	(3 111)	-	-	-	(3 111)
Depreciation and amortisation	-	(2 004)	(64)	(313)	-	(2 381)
Carrying Amount at 30 June	18 320	40 647	1 968	1 879	1 076	63 890

24. Payables	2008	2007
Current:	\$'000	\$'000
Creditors	1 194	759
Accrued expenses	968	822
Income received in advance	468	396
Employment on-costs	64	56
Total Current Payables	2 694	2 033
Non-Current:		
Accrued Expenses	-	39
Employee on-costs	19	20
Total Non-Current Payables	19	59
Total Payables	2 713	2 092
Government/Non-Government Payables:		
Payables to non-SA Government entities:		
Creditors	1 167	742
Accrued expenses	933	702
Income received in advance	435	396
Employment on-costs	83	76
Total Payables to Non-SA Government Entities	2 618	1 916
Payables to SA Government entities:		
Creditors	27	17
Accrued expenses	35	159
Income received in advance	33	-
Total Payables to other SA Government Entities	95	176
Total Payables	2 713	2 092

Interest Rate and Credit Risk

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

25. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Annual leave	204	156
Long service leave	120	106
Accrued salaries and wages	70	87
Total Current Employee Benefits	394	349
Non-Current:		
Long-term long service leave	115	120
Total Non-Current Employee Benefits	115	120
Total Employee Benefits	509	469

The total current and non-current employee benefits (ie aggregate employee benefit plus related on costs) for 2008 is \$458 000 and \$134 000 respectively.

26. Provisions

Dividend

No dividend has been declared or paid in the financial year.

27. Other Liabilities

Current:

Unearned lease revenue	58	58
Total Current Other Liabilities	58	58

Non-Current:

Unearned lease revenue	5 533	5 591
Total Non-Current Other Liabilities	5 533	5 591
Total Other Liabilities	5 591	5 649

28. Equity

Contributed capital	55 536	55 536
Asset revaluation reserve	26 810	29 921
Accumulated surplus (deficit)	35 306	(15 397)
Total Equity	117 652	70 060

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed or written off.

29. Commitments

Capital Commitments

Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:

	2008	2007
	\$'000	\$'000
Within one year	-	1 720
Total Capital Commitments	-	1 720

The Corporation's capital commitments in 2007 are predominantly for arena seats upgrade.

Whilst there were no capital commitment contracts entered into as at 30 June 2008, the Corporation is obligated to enter into a Facility Enhancement and it is anticipated that contracts will be entered into to the value of \$50 million.

Remuneration Commitments

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

	2008	2007
	\$'000	\$'000
Within one year	406	312
Later than one year but not longer than five years	419	105
Total Remuneration Commitments	825	417

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

30. Administered Items**Event Funds**

The Corporation includes a schedule of administered items as a Note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Corporation's overall financial performance and position, in accordance with APF II APS 3.10.2.

The Corporation receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where a show does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the Corporation and other service providers.

Administered Revenues:	2008	2007
	\$'000	\$'000
Net box office receipts	17 277	25 244
Interest earned on event funds	323	428
Total Administered Revenues	17 600	25 672
Administered Expenses:		
Settlements paid	21 397	28 442
Total Administered Expenses	21 397	28 442
Movement in Administered Items during the Year	(3 797)	(2 770)
Administered Assets:		
Cash at bank	794	4 591
Total Administered Assets	794	4 591
Administered Liabilities:		
Funds held in trust	794	4 591
Total Administered Liabilities	794	4 591
Movement in administered items during the year	(3 797)	(2 770)
Total administered assets held at 1 July	4 591	7 361
Total Administered Assets held at 30 June	794	4 591

31. Contingent Assets and Liabilities

The Corporation is not aware of any contingent assets.

The Corporation is not aware of any contingent liabilities.

The Corporation has issued no guarantees.

32. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents:

Cash Flow Statement	61 451	7 356
Balance Sheet	61 451	7 356
Reconciliation of Profit (Loss) to Net Cash provided by Operating Activities:		
Profit for the year	50 703	2 057
Add (Less): Non-Cash Items:		
Depreciation and amortisation expense	2 381	2 012
Leased land income	(57)	(58)
(Profit) Loss on disposal of assets	(9)	3
Changes in Assets/Liabilities:		
Decrease (Increase) in receivables	155	(734)
Decrease (Increase) in inventories	1	(28)
Increase in payables	620	595
Increase in employee benefits	40	79
Net Cash provided by Operating Activities	53 834	3 926

During the year a \$50 million appropriation was received from SA Government for the construction of the Adelaide Entertainment Centre Facility Enhancement.

33. Events after Balance Date

There have been no after balance date events.

ADELAIDE FESTIVAL CENTRE TRUST

FUNCTIONAL RESPONSIBILITY

Establishment

The Adelaide Festival Centre Trust (the Trust) is a body corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the AFCT Act). The Trust is responsible to the Minister for the Arts.

Regulations have been enacted under the PCA requiring certain provisions of that Act be applied to the Trust. These provisions relate mainly to governance and operational performance.

Functions

The Trust is responsible for encouraging and facilitating artistic, cultural and performing arts activities throughout the State and managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre. Further information on the Trust's objectives are provided in Note 1 of the financial report.

Financial Restructure

In June 2008, amendments to the AFCT Act came into operation to enable the transfer of assets or liabilities of the Trust to a Minister. On 30 June 2008, specified assets of the Trust with a written down value of \$77.7 million were transferred to the Minister for the Arts. Further, the Treasurer forgave debt of \$28.2 million.

The Trust retains responsibility for the management of the assets transferred under a lease arrangement.

Notes 1 and 33 to the financial report provide information about the restructure.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 25(2) of the AFCT Act, subsection 32(4) of the PCA and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Trust for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- revenue
- BASS
- expenditure
- payroll
- fixed assets
- financial accounting

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Adelaide Festival Centre Trust and the consolidated entity as at 30 June 2008, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Festival Centre Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to policies and procedures; financial accounting reconciliations; revenue; expenditure; charter and performance statement; and BASS ticketing system as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Centre Trust have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. The following summarises the main matters raised and responses received.

Policies and Procedures

The Trust has developed policies and procedures for most financial accounting and operational areas. Audit noted many procedures had not been reviewed for several years and contained outdated information.

The Trust responded that it would determine a timetable to review and update policies and procedures based on an assessment of their risk.

Financial Accounting Reconciliations

At the time of interim audit, reconciliations for payroll, debtors and fixed assets were not evidenced as prepared or checked and in some instances there was no evidence of the reconciliation being performed.

The Trust accepted the audit finding and responded it would use a monitoring system to ensure all key reconciliations are prepared in a timely manner and independently checked. The Trust indicated all issues were rectified at balance date.

Revenue

There were no independent checks of revenue and master file transactions entered into Masterpiece Accounts Receivable to source documentation for completeness, accuracy and validity.

The Trust responded that it would implement checking on a sample basis.

Expenditure

Audit noted examples where established procedures were not followed or could be improved for checking vendor master file additions and modifications, completing purchase orders, checking transactions processing and reviewing masterpiece access.

The Trust's response outlined action to be taken to address all matters raised.

Charter and Performance Statement

Regulations under the *Public Corporations (Adelaide Festival Centre Trust) Regulations Act 1998* require the Trust's Minister and the Treasurer to develop a charter and performance statement after consultation with the Trust. Last year Audit reported that the Trust did not have a charter or a performance statement.

This year Audit noted that while the Trust had endorsed the charter and the performance statement, the appropriate Government approvals had not yet been provided.

The Trust responded that the Department of Treasury and Finance advised, due to the asset transfer, the proposed wording of the documents will need to be changed and that Arts SA, on behalf of the Trust, are in the process of moving discussions forward on this matter.

ICT Management and Control

Last year's Report conveyed that the Trust had initiated a review to evaluate the security and control arrangements for the BASS computer processing environment against the SA Government mandated Information Security Management Framework.

A report on that review completed in late 2007 recommended certain actions, including the matter of the Trust performing a security review for the purpose of identifying potential vulnerabilities and associated control issues.

Audit follow up during the year indicated that a number of recommendations had been addressed. However, a security review had not been undertaken. The Trust advised that such a review would be undertaken before the end of June 2009.

The Trust is currently in the process of implementing a replacement Event Business Management System.

In recognition that the BASS ticketing system was implemented in 2006-07 and the Trust is implementing a replacement Event Business Management System, and that the systems are critical to the business operations of the Trust, Audit intends to initiate a security review of aspects of the systems in early 2009.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

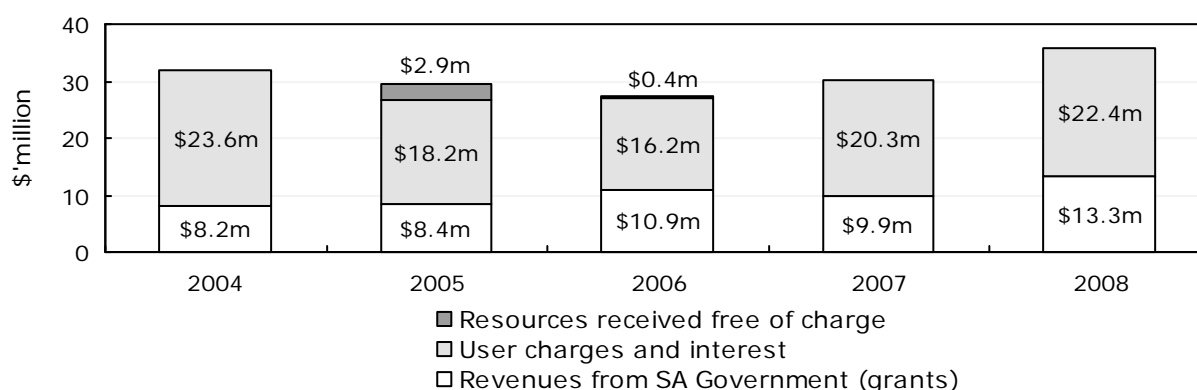
Highlights of the Financial Report (Consolidated)

	2008 \$'million	2007 \$'million	Percentage Change
EXPENSES			
Staff benefit expenses	14.8	14.7	1
Depreciation	5.5	6.9	(20)
Other expenses	19.5	16.5	18
Total Expenses	39.8	38.1	4
INCOME			
User charges and interest	22.4	20.3	10
Net Cost of Providing Services	17.4	17.8	(2)
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	13.3	9.9	34
Net Result before Administrative Restructure	(4.1)	(7.9)	(48)
ADMINISTRATIVE RESTRUCTURE			
Net expense from administrative restructure	49.5	-	-
Net Result after Administrative Restructure	(53.6)	(7.9)	-
NET CASH PROVIDED BY (USED IN) FROM OPERATING ACTIVITIES			
	5.8	(1.4)	-
ASSETS			
Current assets	10.7	8.3	29
Non-current assets	9.8	86.2	(89)
Total Assets	20.5	94.5	(78)
LIABILITIES			
Current liabilities	10.4	7.7	35
Non-current liabilities	1.4	29.5	(95)
Total Liabilities	11.8	37.2	(68)
EQUITY			
	8.7	57.3	(85)

Income Statement

Income

A structural analysis of income for the Trust for the five years to 2008 is presented in the following chart.



User charges includes numerous revenue generating activities including: theatre hire; programming activities including box office sales; BASS ticketing sales; scenery building and stage engineering; catering associated with on site cafes, bars and restaurants and car parking charges.

Since 2006 the Trust has been expanding its programming activities, resulting in an increased level of revenue and associated expenditure since that time. In 2008 user charges and interest increased by \$2.1 million to \$22.4 million. The increase was due mainly to increased box office sales, \$1 million and charging for use of Trust personnel, \$579 000.

In 2005 the Trust received a \$2.9 million asset (pedestrian bridge) free of charge as a part of a SA Government works project.

In 2008 revenues from SA Government increased by \$3.4 million to \$13.3 million. This reflects mainly:

- \$1.9 million funding for the 2006-07 financial year being received by the Trust on 29 June 2006. As required by AASB 1004 this grant was recorded as revenue in 2005-06
- additional recurrent funding for an expanded arts program.

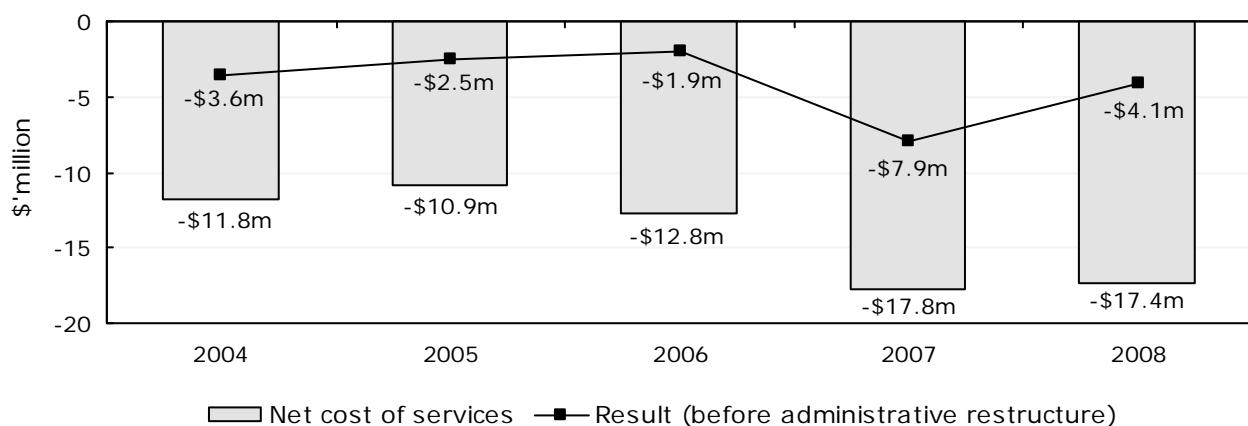
Expenses

Expenses increased by \$1.7 million to \$39.8 million reflecting mainly:

- an expanded arts program. The main increases were for artistic production, \$1.1 million; artists travel and accommodation, \$552 000; and supplies, \$520 000
- a decrease of \$1.4 million in depreciation and amortisation expense. This decrease is attributable primarily to some Trust assets becoming fully depreciated.

Net Cost of Services and Net Result before Administrative Restructure

The following chart shows the net cost of services and net result for the five years to 2008.



The net deficit result for 2007 was exacerbated by the timing of the payment of the operating grant from SA Government which resulted in \$1.9 million of funding for the 2006-07 financial year being recognised in 2005-06. Had this funding been received in 2006-07, the net result would have been a deficit of \$6 million in 2007 and a deficit of \$3.8 million in 2006.

The chart shows the net cost of services has increased significantly in 2007 and has remained at a similar level in 2008. In 2007, due primarily to asset revaluations, depreciation and amortisation expense increased by \$2 million.

Revenues from SA Government have been insufficient to cover the net cost of services in any of the five years resulting in net deficits for all years.

Administrative Restructure

On 30 June 2008, Trust assets with a written down value of \$77.7 million were transferred to the Minister for the Arts. The major components of the transfer were land, buildings and associated fixtures (including some works of art) of the Adelaide Festival Centre and Her Majesty's Theatre. Further, the Treasurer forgave debt of \$28.2 million. These transactions are explained in Notes 1 and 33 to the financial statements.

The Trust retains responsibility for the management of the assets transferred under a lease arrangement. Consistent with these changes Note 22(a) to the financial statement shows that operating lease commitments as at 30 June 2008 were \$77.7 million compared to \$224 000 for 30 June 2007.

Balance Sheet

Current Assets and Liabilities – Solvency

As at 30 June 2008 current assets, \$10.7 million exceeded current liabilities, \$10.4 million.

Non-Current Assets and Liabilities

Due to the aforementioned administrative restructure the Trust's non-current assets have decreased from \$86.2 million to \$9.8 million and the Trust has no borrowings.

The remaining non-current assets comprise mainly works of art \$7.1 million, which were revalued as at 30 June 2008, and plant and equipment \$2.3 million.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	5.8	(1.4)	4.8	(0.6)
Investing	(2.6)	(2.1)	(0.1)	(0.6)
Financing	(0.2)	1.2	-	(0.8)
Change in Cash	3.0	(2.3)	4.7	(2.0)
Cash at 30 June	9.3	6.3	8.6	3.9

Cash held at 30 June 2008 includes \$4.6 million (\$3.1 million) held for promoters.

Major factors affecting net cash flows from operations over the period from 2005 were:

- movements in net funds held for promoters, which increased by \$1.5 million in 2008, decreased by \$2.0 million in 2007 and increased by \$3 million in 2006
- timing of payment and size of government grants, which increased by \$4.5 million in 2008, decreased by \$942 000 in 2007 and increased by \$2.5 million in 2006.

Cash flows from SA Government amounted to \$14.5 million (\$9.9 million) and are included in operating activities. Consequently the Trust is highly dependent on the SA Government for funding both operating and investing activities.

Income Statement for the year ended 30 June 2008

	Note	Consolidated		AFCT	
		2008	2007	2008	2007
EXPENSES:		\$'000	\$'000	\$'000	\$'000
Staff benefit expenses	6	14 838	14 686	14 838	14 686
Supplies and services	7	17 034	14 655	17 034	14 653
Depreciation and amortisation expense	8	5 464	6 894	5 464	6 894
Financing costs	9	1 755	1 861	1 755	1 861
Net loss from write-off of assets	34	795	-	795	-
Total Expenses		39 886	38 096	39 886	38 094
INCOME:					
User charges		21 917	19 747	21 754	19 704
Revenue received from Foundation	4	-	-	114	405
Interest	5	528	560	515	530
Total Income		22 445	20 307	22 383	20 639
NET COST OF PROVIDING SERVICES	24	17 441	17 789	17 503	17 455
REVENUES FROM (PAYMENTS TO)					
SA GOVERNMENT:					
Revenues from SA Government	3	13 286	9 909	13 286	9 909
NET RESULT BEFORE ADMINISTRATIVE RESTRUCTURE		(4 155)	(7 880)	(4 217)	(7 546)
Net expense from an administrative restructure	33	49 494	-	49 494	-
NET RESULT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		(53 649)	(7 880)	(53 711)	(7 546)

Balance Sheet as at 30 June 2008

		Consolidated		AFCT	
		2008	2007	2008	2007
CURRENT ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	10,24	9 339	6 295	9 115	6 166
Receivables	11	1 308	1 878	1 310	1 857
Inventories	12	85	65	85	65
Other current assets	13	2	13	2	13
Total Current Assets		10 734	8 251	10 512	8 101
NON-CURRENT ASSETS:					
Land and buildings		-	73 487	-	73 487
Plant and equipment		2 302	4 750	2 302	4 750
Intangibles		192	281	192	281
Leasehold improvements		-	750	-	750
Works of art		7 088	6 800	7 088	6 800
Capital works in progress		215	157	215	157
Total Non-Current Assets	14,15	9 797	86 225	9 797	86 225
Total Assets		20 531	94 476	20 309	94 326
CURRENT LIABILITIES:					
Payables	16	7 091	5 371	7 079	5 369
Borrowings	17	-	214	-	214
Staff benefits	18,30	1 691	1 451	1 691	1 451
Provisions	19	79	-	79	-
Other current liabilities	20	1 573	619	1 573	619
Total Current Liabilities		10 434	7 655	10 422	7 653
NON-CURRENT LIABILITIES:					
Payables	16	112	135	112	135
Borrowings	17	-	28 184	-	28 184
Staff benefits	18,30	1 340	1 153	1 340	1 153
Total Non-Current Liabilities		1 452	29 472	1 452	29 472
Total Liabilities		11 886	37 127	11 874	37 125
NET ASSETS		8 645	57 349	8 435	57 201
EQUITY:					
Reserves	21	10 740	66 069	10 740	66 069
Accumulated surplus (deficit)		(2 095)	(8 720)	(2 305)	(8 868)
TOTAL EQUITY		8 645	57 349	8 435	57 201
Commitments	22				
Contingent liabilities	23				

**Statement of Changes in Equity
for the year ended 30 June 2008**

	Note	Asset		Total
		Revaluation Reserve	Retained Earnings	
		\$'000	\$'000	\$'000
Balance at 30 June 2006		66 069	(840)	65 229
Net result for the period		-	(7 880)	(7 880)
Total Recognised Income and Expenses for 2006-07		-	(7 880)	(7 880)
Balance at 30 June 2007		66 069	(8 720)	57 349
Gain on revaluation of non-current assets		4 945	-	4 945
Transfer on derecognition of revalued assets		(60 274)	60 274	-
Net result for the period		-	(53 649)	(53 649)
Total Recognised Income and Expenses for 2007-08		(55 329)	6 625	(48 704)
Balance at 30 June 2008	21	10 740	(2 095)	8 645

Cash Flow Statement for the year ended 30 June 2008

		Consolidated		AFCT	
		2008	2007	2008	2007
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Interest paid		(1 755)	(1 861)	(1 755)	(1 861)
Staff benefit payments		(14 388)	(14 350)	(14 388)	(14 350)
Supplies and services		(17 140)	(14 416)	(17 043)	(14 396)
Decrease in funds held on behalf of promoters		-	(812)	-	(812)
GST paid on purchases		(1 756)	(1 391)	(1 756)	(1 391)
GST remitted to ATO		(273)	(396)	(273)	(396)
Cash used in Operations		(35 312)	(33 226)	(35 215)	(33 206)
CASH INFLOWS:					
Receipts from patrons/customers		22 456	19 587	22 277	19 948
Interest received		507	565	494	535
Increase in funds held on behalf of promoters		1 503	-	1 503	-
GST receipts on receivables		2 006	1 712	2 006	1 712
GST received from ATO		166	69	166	69
Cash generated from Operations		26 638	21 933	26 446	22 264
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from SA Government		14 499	9 909	14 499	9 909
Cash generated from SA Government		14 499	9 909	14 499	9 909
Net Cash provided by (used in)					
Operating Activities	24	5 825	(1 384)	5 730	(1 033)
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of property, plant and equipment and works of art		(2 564)	(2 105)	(2 564)	(2 105)
Net Cash used in Investing Activities		(2 564)	(2 105)	(2 564)	(2 105)
CASH FLOWS FROM FINANCING ACTIVITIES:					
CASH INFLOWS:					
Borrowings from SA Government		-	1 200	-	1 200
CASH OUTFLOWS:					
Repayment of borrowings		(217)	(51)	(217)	(51)
Net Cash provided by (used in)					
Financing Activities		(217)	1 149	(217)	1 149
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3 044	(2 340)	2 949	(1 989)
CASH AND CASH EQUIVALENTS AT 1 JULY		6 295	8 635	6 166	8 155
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	9 339	6 295	9 115	6 166

Non-Cash Transactions

On 30 June 2008, specified land, buildings and fixtures of the Adelaide Festival Centre and Her Majesty's Theatre transferred to the Minister for the Arts. This restructure resulted in the Trust disposing of net assets of \$49.5 million. Details with respect to the restructuring of administrative arrangements are set out in Note 33. This restructure did not have any cash flow effects, and as such is not reflected in the Cash Flow Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust Objectives

The objectives of the Trust are to:

- (a) encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- (b) be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- (c) provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities;
- (d) promote the involvement of young people and their families and extend activities into the school sector.

Adelaide Festival Centre Trust (Financial Restructure) Amendment Act 2008

On 26 June 2008, the *Adelaide Festival Centre Trust (Financial Restructure) Amendment Act 2008* came into operation. Pursuant to the Act, the Governor-General proclaimed that specified land, buildings and fixtures of the Adelaide Festival Centre and Her Majesty's Theatre transferred to the Minister for the Arts on 30 June 2008.

On 25 June 2008 the Treasurer wrote to the Trust forgiving all SA Government debts owed by the Trust.

The financial effects of this administrative restructure are shown at Note 33.

The Act amendment has not affected the objectives of the Trust.

2. Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The financial report is a general purpose financial report, which has been prepared on an accrual basis of accounting in accordance with applicable AASs, TIs and APSs promulgated under the provision of the PFAA, and other mandatory reporting requirements. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

(b) *Basis of Preparation*

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Trusts' accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) staff targeted voluntary separation package information;
 - (d) staff whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff.

(c) *Changes in Accounting Policy*

Except for the amendments to AASB 101, which the Trust has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Trust for the reporting period ending 30 June 2008. The Trust has assessed the impact of the new amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Trust.

Asset Recognition Threshold

As permitted by APF III, as at 30 June 2008, the Trust adopted a capitalisation threshold for all non-current physical assets with a value of \$10 000 or greater. Previously the Trust had adopted a threshold of \$5000. The result of this change was a write off of \$295 000 (written down value). This adjustment was not retrospectively applied as it was deemed immaterial.

(d) *Non-Current Asset Acquisition and Recognition*

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

The Trust capitalises all non-current physical assets with a value of \$10 000 or greater in accordance with APF III.

(e) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 30 June 2008, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. The controlled entity is listed at Note 32.

(f) Transactions Performed on Behalf of Promoters

The Trust provides services on behalf of event promoters under exclusive agency arrangements. The Trust charges a fee for these services that is recognised as revenue upon the completion of promoter events.

The Trust does not control the revenue generated from promoter events and as such only recognises the changes in cash held in trust on behalf of Promoters (shown at Note 10) and the requisite amount payable to those promoters (shown at Note 16) together with the net change in cash held in the Statement of Cash Flows as at 30 June.

(g) Revaluation of Non-Current Assets

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for the fair value method of valuation)
- revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

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

(h) Comparative Amounts

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(i) Depreciation

All depreciable plant and equipment, buildings and leasehold improvements are depreciated to estimated residual value over their estimated useful lives using the straight-line method of allocation. Land and works of art are not depreciated.

Depreciation rates are reviewed annually.

Depreciation for non-current assets is determined as follows:

<i>Asset Class</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings (substructure)	Straight line	60
Buildings (finishes)	Straight line	15
Buildings (fittings and services)	Straight line	25
Leasehold improvements	Straight line	10
Plant and equipment	Straight line	10-25

(j) Staff Benefits

Provision has been made in the financial report for the Trust's liability for staff benefits arising from services rendered by staff as at the reporting date. These benefits include accrued salaries and wages, annual leave and long service leave. Related on-costs consequential to the employment of the staff have been included in payables in accordance with APF IV, APS 5.

Accrued Salaries and Wages

Accrued salaries and wages represents the amount of salaries and wages for services rendered by staff that are unpaid as at reporting date.

Annual Leave

Staff benefits for annual leave have been calculated by multiplying each staff's benefits by the remuneration rate expected when the leave is taken. The estimated rate of salary inflation is 4.5 percent. When leave loadings are paid these are included in the calculation.

Sick Leave

Staff sick leave benefits are non-vesting. No sick leave liability has been recorded as it is probable that sick leave taken in future periods will be less than the sick leave benefit accrued in those periods.

Long Service Leave

In calculating long service leave, the Trust has used a benchmark of 6.5 years, based on an actuarial assessment undertaken by the Department of Treasury and Finance. The long service leave benefit estimated to be paid within the next 12 months of balance date is calculated by multiplying each staff's benefits by the remuneration rate expected when the leave is taken.

Superannuation

Contributions are made by the Trust to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to contributions due but not yet paid to the superannuation schemes. The total superannuation contributions paid this financial year was \$1 125 000 (\$1 081 000).

(k) Workers Compensation

During 2007-08, the Trust became self-insured for workers compensation events, ceasing its arrangements with WorkCover Corporation as its service provider of insurance coverage in relation to workers compensation.

In accordance with Note 2(b) the Trust has exercised the use of accounting estimates provided by management to calculate a reasonable estimate for future obligations of known compensatory events as at 30 June 2008.

(l) Receivables and Provision for Doubtful Debts

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

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

(m) Inventories

Inventories are maintained for set building, production and merchandising activities and are valued at the lower of cost or net realisable value.

(n) Payables

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

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

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

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

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

(o) Income and Expenses

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

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

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

Revenues from the SA Government

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the authority will comply with all attached conditions.

Assets received/provided Free of Charge

Assets received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Interest Income

Interest income includes interest received on bank term deposits, interest from investments, and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other Revenues

The Trust's policy is to recognise revenue when a good is supplied or service completed.

Disposal of Non-current Assets and Financial Assets

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

(p) Income Tax Status

The activities of the entity are exempt from income tax.

(q) 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 Adelaide Festival Centre Trust as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

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

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the ATO have however been classified as operating cash flows.

(r) Segment Information

Business operations are conducted in the one business and geographical segment.

(s) Rounding

Unless otherwise indicated, all amounts have been rounded to the nearest thousand dollars.

3. Revenue from SA Government		Consolidated		AFCT	
		2008	2007	2008	2007
Operating grants received:	Note	\$'000	\$'000	\$'000	\$'000
Operating base		10 164	7 077	10 164	7 077
Debt servicing - interest		1 335	1 632	1 335	1 632
Total State Government Operating Grants		11 499	8 709	11 499	8 709
Capital grants received:					
Capital replacement		1 787	1 200	1 787	1 200
Total State Government Grants		13 286	9 909	13 286	9 909
4. Revenue received from Foundation					
Programming incentives		-	-	114	300
Lighting		-	-	-	105
Total Revenue received from Foundation		-	-	114	405
5. Interest					
Interest from entities within the SA Government		528	560	515	530
Total Interest		528	560	515	530
6. Staff Expenses					
Salaries and wages		11 510	11 130	11 510	11 130
Termination Payments	28	95	356	95	356
Long service leave		295	251	295	251
Annual leave		715	654	715	654
Employment on-costs - Superannuation		1 125	1 081	1 125	1 081
Employment on-costs - Other		792	903	792	903
Board fees		80	84	80	84
Other		226	227	226	227
Total Staff Expenses		14 838	14 686	14 838	14 686
7. Supplies and Services					
Supplies and Services provided by Entities within the SA Government:					
Contractors		77	77	77	77
Artistic production		233	29	233	29
Utilities		203	208	203	208
Financial transactions		157	181	157	181
Premises rental		140	149	140	149
Insurance		242	269	242	269
Equipment		72	124	72	124
Other		124	88	124	88
Total Supplies and Services - SA Government Entities		1 248	1 125	1 248	1 125

7.	Supplies and Services (continued)	Consolidated		AFCT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	Supplies and Services provided by Entities external to the SA Government:				
	Supplies	3 017	2 497	3 017	2 496
	Contractors	505	531	505	531
	Artistic production	4 238	3 304	4 238	3 304
	Utilities	1 446	1 281	1 446	1 281
	Financial transactions	535	460	535	460
	Travel and accommodation	1 017	465	1 017	465
	Premises rental	1 106	1 024	1 106	1 024
	Insurance	2	12	2	12
	Doubtful debts	(80)	112	(80)	112
	Equipment	588	619	588	619
	Advertising and Marketing	2 360	2 167	2 360	2 167
	Other	1 052	1 058	1 052	1 057
	Total Supplies and Services - Non-SA Government Entities	15 786	13 530	15 786	13 528
	Total Supplies and Services	17 034	14 655	17 034	14 653
8.	Depreciation and Amortisation Expense				
	Buildings	4 784	4 878	4 784	4 878
	Plant and equipment	602	1 887	602	1 887
	Intangibles - Amortisation	52	-	52	-
	Leasehold improvements	26	129	26	129
	Total Depreciation and Amortisation Expense	5 464	6 894	5 464	6 894
9.	Financing Costs				
	Interest paid - SA Government Entities	1 755	1 861	1 755	1 861
	Total Financing Costs	1 755	1 861	1 755	1 861
10.	Cash and Cash Equivalents				
	Cash at bank and on hand	4 786	3 245	4 562	3 116
	Cash held in trust for promoters	4 553	3 050	4 553	3 050
	Total Cash and Cash Equivalents	9 339	6 295	9 115	6 166
11.	Receivables				
	Trade debtors - SA Government entities	122	56	124	56
	Interest receivable	52	31	52	31
	Total Receivables from SA Government Entities	174	87	176	87
	Trade debtors - Non-SA Government entities	1 144	1 957	1 144	1 936
	Less: Provision for doubtful debts	10	166	10	166
	Total Receivables from Non-SA Government Entities	1 134	1 791	1 134	1 770
	Total Receivables	1 308	1 878	1 310	1 857
	As at 30 June 2008, the Trust has the following profile of aged debtors: amounts less than 30 days past due \$343 000 (\$918 000); amounts more than 30 but less than 90 days past due \$105 000 (\$60 000). The Trust mitigates credit risk by securing deposits in advance of services being provided.				
12.	Inventories				
		Consolidated		AFCT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	Raw materials	85	65	85	65
	Total Inventories	85	65	85	65
13.	Other Current Assets				
	Prepayments	2	13	2	13
	Total Other Current Assets	2	13	2	13
14.	Property, Plant and Equipment, Leasehold Improvements and Works of Art				
	Land and Buildings:				
	Freehold land:				
	At independent valuation 2006	-	5 895	-	5 895
	Buildings:				
	At independent valuation 2006	-	146 980	-	146 980
	Less: Accumulated depreciation	-	79 388	-	79 388
			67 592		67 592
	Total Land and Buildings	-	73 487	-	73 487

14. Property, Plant and Equipment, Leasehold Improvements and Works of Art (continued)	Consolidated		AFCT	
	2008	2007	2008	2007
Plant and Equipment:	\$'000	\$'000	\$'000	\$'000
At independent valuation 2006	7 043	21 198	7 043	21 198
Less: Accumulated depreciation	6 237	18 115	6 237	18 115
	806	3 083	806	3 083
At cost	1 929	1 667	1 929	1 667
Less: Accumulated depreciation	433	-	433	-
	1 496	1 667	1 496	1 667
Total Plant and Equipment	2 302	4 750	2 302	4 750
Intangibles:				
At cost	281	281	281	281
Less: Accumulated amortisation	89	-	89	-
Total Intangibles	192	281	192	281
Leasehold Improvements:				
At independent valuation 2006	-	1 758	-	1 758
Less: Accumulated depreciation	-	1 008	-	1 008
Total Leasehold Improvements	-	750	-	750
Capital Work in Progress:				
At cost	215	157	215	157
Total Capital Work in Progress	215	157	215	157
Works of Art:				
At independent valuation 2008	7 088	6 765	7 088	6 765
At cost	-	35	-	35
Total Works of Art	7 088	6 800	7 088	6 800
Total Property, Plant and Equipment, Leasehold Improvements and Works of Art	9 797	86 225	9 797	86 225

The Trust's land and buildings and leasehold improvements valuation was undertaken at 30 June 2006 by Mr Martin S Burns MBA, BAppSc, Property Resource Management of Liquid Pacific. Plant and equipment was valued as at 30 June 2006 by Mr Martin S Burns of Liquid Pacific. Works of Art were valued by James F B Bruce Valuer MSAV of Theodore Bruce Auctions Pty Ltd as at 30 June 2008.

15. Asset Movement Schedule

	Freehold Land	Buildings	Intangibles	Plant & Equipmt	Works of Art	Leasehold Improvements	Capital Work in Progress	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Amount:								
Balance at 1 July	5 895	146 980	281	22 865	6 800	1 758	157	184 736
Additions	-	-	-	22	23	-	2 519	2 564
Transfers	-	1 680	-	359	-	-	(2 039)	-
Disposals	(5 895)	(148 660)	-	(14 274)	(4 680)	(1 758)	(422)	(175 689)
Revaluations	-	-	-	-	4 945	-	-	4 945
Balance at 30 June	-	-	281	8 972	7 088	-	215	16 556
Accumulated Depreciation:								
Balance 1 July	-	79 388	-	18 115	-	1 008	-	98 511
Depreciation Expense	-	4 784	52	602	-	26	-	5 464
Transfers	-	-	37	(37)	-	-	-	-
Disposals	-	(84 172)	-	(12 010)	-	(1 034)	-	(97 216)
Balance at 30 June	-	-	89	6 670	-	-	-	6 759
Net Book Value	-	-	192	2 302	7 088	-	215	9 797

16. Payables

	Consolidated		AFCT	
	2008	2007	2008	2007
Current Payables - SA Government Entities:	\$'000	\$'000	\$'000	\$'000
Unsecured creditors and accruals	163	17	163	17
Secured amounts payable to promoters	1 428	1 138	1 428	1 138
Employment on-costs	70	81	70	81
	1 661	1 236	1 661	1 236
Current Payables - Other Non-SA Government Entities:				
Unsecured creditors and accruals	2 135	2 124	2 123	2 122
Secured amounts payable to promoters	3 125	1 911	3 125	1 911
Employment on-costs	170	100	170	100
	5 430	4 135	5 418	4 133
Total Current Payables	7 091	5 371	7 079	5 369

16. Payables		Note	Consolidated		AFCT	
			2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	Non-Current Payables - SA Government Entities:					
	Employment on-costs		32	92	32	92
	Non-Current Payables -					
	Other Non-SA Government Entities:					
	Employment on-costs		80	43	80	43
	Total Non-Current Payables		112	135	112	135
	Total Payables		7 203	5 506	7 191	5 504
17. Borrowings						
	Current Liabilities:					
	Borrowings from SA Government		-	214	-	214
	Non-Current Liabilities:					
	Borrowings from SA Government		-	28 184	-	28 184
	Total Borrowings		-	28 398	-	28 398
18. Staff Benefits						
	Current Liabilities:					
	Provision for annual leave		879	797	879	797
	Provision for long service leave		193	220	193	220
	Accrued salaries and wages		619	434	619	434
			1 691	1 451	1 691	1 451
	Non-Current Liabilities:					
	Provision for long service leave		1 340	1 153	1 340	1 153
			1 340	1 153	1 340	1 153
	Total Provision Associated with Staff Benefits		3 031	2 604	3 031	2 604
19. Provisions						
	Provision for workers compensation		79	-	79	-
	Total Provisions		79	-	79	-
20. Other Current Liabilities						
	Venue hire deposits		141	249	141	249
	Revenue in advance		219	370	219	370
	Unearned capital funding		1 213	-	1 213	-
	Total Other Current Liabilities		1 573	619	1 573	619
21. Reserves						
	Asset Revaluation Reserve:					
	Land:					
	Opening balance		5 895	5 895	5 895	5 895
	Transfer to retained earnings	2(o)	(5 895)	-	(5 895)	-
	Closing balance		-	5 895	-	5 895
	Buildings:					
	Opening balance		45 414	45 414	45 414	45 414
	Transfer to retained earnings	2(o)	(45 414)	-	(45 414)	-
	Closing balance		-	45 414	-	45 414
	Plant and Equipment:					
	Opening balance		8 466	8 466	8 466	8 466
	Transfer to retained earnings	2(o)	(4 432)	-	(4 432)	-
	Closing balance		4 034	8 466	4 034	8 466
	Works of Art:					
	Opening balance		6 166	6 166	6 166	6 166
	Revaluation		4 945	-	4 945	-
	Transfer to retained earnings	2(o)	(4 405)	-	(4 405)	-
	Closing balance		6 706	6 166	6 706	6 166
	Leasehold Improvements:					
	Opening balance		128	128	128	128
	Transfer to retained earnings	2(o)	(128)	-	(128)	-
	Closing balance		-	128	-	128
	Total:					
	Opening balance		66 069	66 069	66 069	66 069
	Revaluation		4 945	-	4 945	-
	Transfer to retained earnings	2(o)	(60 274)	-	(60 274)	-
	Closing Balance		10 740	66 069	10 740	66 069

22. Commitments	Consolidated		AFCT	
	2008	2007	2008	2007
(a) Operating Leases	\$'000	\$'000	\$'000	\$'000
Commitments under non-cancellable operating leases at reporting date are as follows:				
Not later than one year	4 134	130	4 134	130
Later than one year and not later than five years	15 760	94	15 760	94
Later than five years	57 795	-	57 795	-
Total Operating Lease Commitments	77 689	224	77 689	224

Equipment leases are for fixed lease periods.

Motor vehicle leases are for lease periods of two to three years.

The Trust entered into a 20 year lease agreement, with an option to extend, to rent Her Majesty's and the Festival Centre Theatres.

(b) **Remuneration Commitments**

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

	Consolidated		AFCT	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Not later than one year	4 146	2 325	4 146	2 325
Later than one year and not later than five years	2 302	1 958	2 302	1 958
Total Remuneration Commitments	6 448	4 283	6 448	4 283

Amounts disclosed include commitments arising from executive and other service contracts.

The Trust does not offer remuneration contracts greater than five years.

(c) **Other Commitments**

	Consolidated		AFCT	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Commitments under non-cancellable maintenance agreements at reporting date are as follows:				
Not later than one year	474	763	474	763
Later than one year and not later than five years	30	261	30	261
Total Other Commitments	504	1 024	504	1 024

23. **Contingent Liabilities**

A claim for damages was lodged against the Trust in June 2008 for a contractual cancellation. The Trust is negotiating with the claimant, on advice from the Crown Solicitor's Office. Due to factual inaccuracies of the claimant it is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

24. **Cash Flow Reconciliation**

	Consolidated		AFCT	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Reconciliation of cash and cash equivalents:				
Cash Flow Statement	9 339	6 295	9 115	6 166
Balance Sheet	9 339	6 295	9 115	6 166

Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Providing Services

Net cash provided by (used in) operating activities	5 825	(1 384)	5 730	(1 033)
Less: Revenues from SA Government	(13 286)	(9 909)	(13 286)	(9 909)
Add (Less): Non-cash items:				
Depreciation and amortisation expense	(5 464)	(6 894)	(5 464)	(6 894)
Loss from write-off of assets	(795)	-	(795)	-
Changes in Assets and Liabilities:				
(Decrease) Increase in receivables	(570)	261	(547)	242
Increase in inventories	20	-	20	-
Decrease in other current assets	(11)	(310)	(11)	(310)
(Increase) Decrease in payables	(1 697)	846	(1 687)	848
Increase in other current liabilities	(954)	(81)	(954)	(81)
Increase in provisions	(79)	-	(79)	-
Increase in staff benefits	(430)	(318)	(430)	(318)
Net Cost of Providing Services	(17 441)	(17 789)	(17 503)	(17 455)

25. Remuneration to Auditors' and Consultants

	Consolidated		AFCT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Remuneration to Auditors:				
Auditing the financial report - Auditor-General's Department	77	84	77	84
Auditing the Foundation Report - Edwards Marshall	3	-	3	-
Other auditing services - Edwards Marshall	14	-	14	-
Total Audit Fees	94	84	94	84

Consultants

During 2007-08 there were no payments made to consultants. There was one consultancy paid in 2006-07 amounting to \$136 000.

26. Remuneration of Staff

The number of staff whose annual remuneration was over \$100 000 fell within the following bands:

	2008 Number of Staff	2007 Number of Staff
\$100 000 - \$109 999	2	2
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	1	-
\$130 000 - \$139 999	-	1
\$140 000 - \$149 999	1	1
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	-	2
\$190 000 - \$199 999	1	-
\$210 000 - \$219 999	1	-
\$260 000 - \$269 999	-	2
\$270 000 - \$279 999	1	-
Total	9	9

	2008 \$'000	2007 \$'000
Staff short-term benefits	1 335	1 386
Post-retirements benefits	120	125
Other benefits	65	68
Total	1 520	1 579

This table includes all staff who received remuneration of \$100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits.

Post-retirement benefits reflects employer superannuation contributions.

Other benefits includes movements in accrued long service leave payable.

There were no amounts (\$136 245) included for termination payments paid in the financial period.

27. Trustees' Remuneration and Related Party Disclosures**Trustees' Remuneration**

The number of Trustees with income in the following bands was:

	2008 Number of Trustees	2007 Number of Trustees
\$0 - \$9 999	7	9
\$10 000 - \$19 999	2	2

The aggregate of the remuneration referred to in the above table for Trustees is \$81 000 (\$84 000) and includes \$5000 (\$7000) superannuation.

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr Barry Fitzpatrick (Chairperson)	Mr Bill Spurr
Mr Peter Goers	Ms Joanne Staugas
Ms Caroline Cordeaux	Mr Ian Kowalick
Ms Zannie Flanagan	
Councillor Richard Hayward (term completed 20 October 2007)	
Ms Susan Clearihan (term commenced 17 April 2008)	

Related Party Disclosures (continued)

The Trustees of the Trust, or their director related entities, have transactions with the Trust that occur within a normal staff, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

As a part of the duties of office, from time to time, Trustees receive complimentary tickets to shows and events conducted by or through the Trust. These benefits serve to involve the Trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

28. Termination Payments

	Consolidated		AFCT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Amount paid to these staff:				
Termination payments	95	356	95	356
Annual leave and long service leave paid on termination	103	145	103	145
Net Amount Paid to Staff	198	501	198	501

In 2007-08 three (eight) termination payments totalling \$95 000 (\$356 000) were paid and an additional \$103 000 (\$145 000) was paid on account of accrued annual leave and long service leave. There were no eligible recoveries due from the Office of the Commissioner for Public Employment.

29. Financial Instruments

Financial Instruments	Note	Accounting Policies and Methods	Nature/Risk of Underlying Instrument
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	The Trust holds no Financial Assets that are subject to liquidity or held to maturity risk. The carrying amount of financial assets approximates net fair value.
Cash	10	Deposits are recognised at their nominal amount. Interest is credited to revenue as it accrues.	Sensitivity Analysis of financial assets held as cash shows that interest rate risk exists, whereby a 1 percent change in interest rates per annum can impact (both favourably and unfavourably) on the Trust's net profit amounting to approximately \$50 000.
Receivables	11	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectibility of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less than likely.	Credit terms are net 30 days. Credit Risk has been assessed in accordance with Accounting Policy shown at Note 2(I). The Trust also mitigates credit risk by securing deposits in advance of providing services. These deposits are reported at Note 20. The Trust's maximum exposure to credit risk at the reporting date in relation to receivables is the carrying amount of those assets as indicated in Note 11. Ageing analysis of the Trust's Receivables has been shown at Note 11.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	The Trust holds no Financial Liabilities that are subject to interest rate, liquidity or held to maturity risk. The carrying amount of financial liabilities approximates net fair value.
Trade Creditors	16	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days. All payables are non-interest bearing.
Other Liabilities	20	Monies held in trust being deposits held for other entities and revenues earned in advance are recognised as liabilities.	The Trust holds monies on behalf of other entities and secures deposits as shown at Note 20, in part to obviate credit risk identified in Financial Assets - Receivables (above).
Borrowings	17	Borrowings were recognised at their nominal amounts.	The Trust no longer has long or short-term borrowings.

30. Staff Benefits and Related On-Cost Liabilities

	Note	Consolidated		AFCT	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current Liabilities:					
Provision for annual leave	18	879	797	879	797
Provision for long service leave	18	193	220	193	220
Accrued salaries and wages	18	619	434	619	434
Employment on-costs	16	240	181	240	181
		1 931	1 632	1 931	1 632
Non-Current Liabilities:					
Provision for long service leave	18	1 340	1 153	1 340	1 153
Employment on-costs	16	112	135	112	135
		1 452	1 288	1 452	1 288
Aggregate Staff Benefits and Related On-Cost Liabilities					
		3 383	2 920	3 383	2 920

31. Economic Dependency

A significant proportion of revenue is derived from government, without which the Trust would not be able to continue its operations. Revenue from government grants was \$13.3 million (\$9.9 million).

32. Controlled Entity

The consolidated financial statements at 30 June 2008 include the following controlled entity:

<i>Name of Controlled Entity</i>	<i>Place of Incorporation</i>
The Adelaide Festival Centre Foundation Incorporated	Australia

33. Administrative Restructure

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Works of Art \$'000	Leasehold Improve- ments- \$'000	Capital Work in Progress \$'000	Total 2008 \$'000
Assets transferred to Arts SA	5 895	148 660	5 625	4 643	1 758	422	167 003
Assets transferred to Arts SA - Accumulated depreciation	-	(84 172)	(4 119)	-	(1 034)	-	(89 325)
Net Book Value	5 895	64 488	1 506	4 643	724	422	77 678
Less: Debt forgiven							28 184
Net Administrative Restructure Cost							49 494

Adelaide Festival Centre Trust (Financial Restructure) Amendment Act 2008

On 26 June 2008, the *Adelaide Festival Centre Trust (Financial Restructure) Amendment Act 2008* was passed by Parliament. Pursuant to the Act, the Governor-General proclaimed that specified land, building and fixtures of the Adelaide Festival Centre and Her Majesty's Theatre be transferred to the Minister for the Arts. On 25 June 2008 the Treasurer wrote to the Trust forgiving all SA Government debts owed by the Trust.

34. Loss from Write-Off of Assets

	Plant and Equipment \$'000	Works of Art \$'000	2008 Total \$'000
Write-off of assets	8 649	37	8 686
Write-off of assets - Accumulated depreciation	(7 891)	-	(7 891)
Net Book Value	758	37	795

ADELAIDE FESTIVAL CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Adelaide Festival Corporation (the Corporation) is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998* (AFC Act). The Corporation is an instrumentality of the Crown. The Board of the Corporation is responsible to the Minister for the Arts.

Functions

The main function of the Corporation is to conduct the Adelaide Festival of Arts. For details of the Corporation's functions refer to Note 1 of the financial report.

The Adelaide Festival of Arts is a biennial event with 2008 being a Festival year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

The Auditor-General audits the accounts of the Corporation pursuant to subsection 31(1)(b) of the PFAA and subsection 19(3) of the AFC Act.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- revenue, including cash receipting and debtors
- expenditure, including accounts payable and salaries and wages
- general ledger
- contracts
- budgetary control.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Adelaide Festival Corporation as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Festival Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the General Manager and Associate Artistic Director of the Corporation. The main issue raised related to the regular review of the Corporation's delegations of authority. The Corporation's policy requires an annual review which had not been carried out. Another issue raised related to leave taken by staff where the Corporation's policy about requesting and authorisation of leave had not been adhered to. Response to the management letter was considered to be satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Given the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years.

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events such as 'Writers' Week' and the 'Festival of Ideas'. The Income Statement includes the expenses and income associated with these events as well as the Adelaide Festival of Arts.

The following interpretation and analysis is based on the biennial financial results of the Corporation. A comparison of the last two biennial periods is provided in Note 22.

Biennial Operating Result

As shown in Note 22, the biennial result for the Corporation for the 2007 and 2008 financial years was a surplus of \$534 000 compared to a deficit of \$288 000 for the previous biennial period.

Income

For the 2008 biennial period, income totalled \$14.5 million, an increase of \$53 000 compared to the previous biennial period. Grants from government increased by \$472 000 while sponsorship decreased by \$275 000 and other income decreased by \$353 000.

Expenses

Expenses decreased by \$769 000 to \$13.9 million mainly as a result of decreases to staff expenses (down \$387 000), marketing (down \$216 000) and the cost of programmed events (down \$144 000).

Income and expenses for the 2006 and 2008 biennial periods are shown in the following table:

	2008		2006	
	\$'million	percent	\$'million	percent
INCOME				
Grants from Government	7.1	49	6.6	46
Box Office	2.5	17	2.5	17
Sponsorship	2.4	17	2.7	19
Other	2.5	17	2.6	18
Total	14.5	100	14.4	100
EXPENSES				
Programmed events	6.8	49	6.9	47
Staff expenses	3.4	24	3.8	26
Marketing	1.5	11	1.7	11
Administration	1.4	10	1.6	11
Other	0.8	6	0.7	5
Total	13.9	100	14.7	100

Balance Sheet

As at 30 June 2008 the Corporation had net assets of \$458 000 compared to \$1.3 million at the same time last year. The fluctuation in net assets reflects the reduction in cash and cash equivalents as at 30 June 2008 consistent with the biennial nature of the Adelaide Festival of Arts.

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
EXPENSES:			
Staff expenses	3	2 124	1 276
Supplies and Services:			
Administration and marketing expenses	4	2 498	843
Programmed events	5	6 496	702
Total Supplies and Services	6	8 994	1 545
Total Expenses		11 118	2 821
INCOME:			
Grants from Non-SA Government	7	204	341
Box office		2 548	-
Interest		184	85
Sponsorship - Corporate		988	464
Sponsorship - Government		885	65
Other income	8	1 450	143
Total Income		6 259	1 098
Net Cost of Providing Services		(4 859)	(1 723)
Revenues from SA Government	7	4 036	3 080
NET RESULT	22	(823)	1 357
NET RESULT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER	22	(823)	1 357

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	9	546	1 628
Receivables	10	346	50
Total Current Assets		892	1 678
NON-CURRENT ASSETS:			
Plant and equipment	11	146	219
Total Non-Current Assets		146	219
Total Assets		1 038	1 897
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	12	327	363
Short-term staff benefits	13	66	82
Provisions	14	40	-
Total Current Liabilities		433	445
NON-CURRENT LIABILITIES:			
Payables	12	73	104
Long-term staff benefits	13	74	67
Total Non-Current Liabilities		147	171
Total Liabilities		580	616
NET ASSETS		458	1 281
EQUITY:			
Retained earnings		458	1 281
TOTAL EQUITY		458	1 281
Unrecognised contractual commitments	18		
Contingent assets and liabilities	19		

Statement of Changes in Equity for the year ended 30 June 2008

	Retained Earnings \$'000
Balance at 30 June 2006	(76)
Net Result for 2006-07	1 357
Balance at 30 June 2007	1 281
Net Result for 2007-08	(823)
Balance at 30 June 2008	458

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from Government		4 036	2 880
Receipts from patrons, sponsors, donors and others		5 038	962
Receipts from Commonwealth		110	394
Interest received		184	85
GST receipts on sales		237	94
GST input tax credits		175	110
GST recovered from ATO		72	97
Total Inflows from Operating Activities		9 852	4 622
CASH OUTFLOWS:			
Staff payments		(2 132)	(1 153)
Supplies and services		(8 319)	(1 697)
GST payments on purchases		(467)	(117)
GST paid to ATO		(16)	(65)
Total Outflows from Operating Activities		(10 934)	(3 032)
Net Cash (used in) provided by Operating Activities	15	(1 082)	1 590
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD			
		(1 082)	1 590
CASH AND CASH EQUIVALENTS AT 1 JULY			
		1 628	38
CASH AND CASH EQUIVALENTS AT 30 JUNE			
	9	546	1 628

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Functions of the Adelaide Festival Corporation

The functions of the Adelaide Festival Corporation (the Corporation), as prescribed under the *Adelaide Festival Corporation Act 1998*, are to:

- (a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) conduct or promote other events and activities;
- (d) provide advisory, consultative, managerial or support services within areas of the Corporation's expertise;
- (e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources;
- (f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act, or by the Minister.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The general purpose financial report has been prepared in accordance with applicable AASs and TIs and APSS promulgated under the provisions of the PFAA. AASs include AIFRS. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2008. The Corporation has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Corporation.

The report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

The financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

2.2 Foreign Exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translation are taken directly to revenues or expenses.

2.3 Staff Benefits

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2006* (PSE Act) came into operation on 1 April 2007. The PSE Act amended the employment provisions of the *Adelaide Festival Corporation Act 1998* to provide that the Chief Executive of the Department of the Premier and Cabinet is to be the employing authority for all staff of the Corporation. Prior to the operation of the PSE Act, the Corporation had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of the Department of the Premier and Cabinet has delegated all of his powers and functions relating to the employment of staff to the Corporation. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Corporation to make payments with respect to any matter arising in connection with the employment of a person under the *Adelaide Festival Corporation Act 1998*.

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

Salaries and Wages

Salaries and wages have been recognised as the amount unpaid at the reporting date and have been calculated at nominal amounts based on current wage and salary rates.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 4.5 percent.

Sick Leave

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

Long Service Leave

Provision has been made for staff entitlements to long service leave based on a benchmark of 6.5 years service and represents the present value of the estimated future cash flows to be made for those entitlements. This provision has been calculated at nominal amounts based on current salary rates.

Superannuation

Contributions are made by the Corporation to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.4 Workers Compensation

As a consequence of the operation of the PSE Act, the Corporation was no longer able to be registered as a non-exempt employer with WorkCover under subsection 59(1) of the WRCA. The Corporation deregistered from October 2007 and is recognised as an exempt (self insured) employer.

Prior to the change in employer status, the Corporation made contributions to WorkCover and no liability for payment to claimants was recorded in the accounts as this was the assumed responsibility of WorkCover. Since becoming an exempt (self insured) employer, the Corporation makes smaller contributions to WorkCover and is required to recognise in the accounts a liability for outstanding workers compensation claims if applicable.

For the period 1 November 2007 to 30 June 2008, the Corporation had not incurred any workers compensations claims. Based on the Corporation's assessment a provision for possible retrospective workers compensation liabilities has been included as at 30 June 2008 (Note 14).

2.5 Income Tax

The income of the Corporation is exempt from income tax.

2.6 Plant and Equipment

Office furniture and equipment is valued at cost.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight line method of allocation over a useful life of four years and is recognised from the date of acquisition.

2.7 Leasehold Improvements

Leasehold improvements have been valued at cost and amortised over the length of the lease (six years).

2.8 Deferred Rent Incentive

The Corporation received a rent incentive on its new premises lease, to be taken as a rent free period within the first two years of the lease. The benefit of this will be recorded as a reduction of rental expense over the lease term on a straight line basis.

2.9 Revenue Recognition

Operating and Performing Arts Grants

In accordance with Department of Treasury and Finance APF V, all grants are recognised as revenue when received.

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as revenue as it accrues.

Donations

All income of this nature is recognised as revenue when received.

2.10 Economic Dependency

The normal business activity of the Corporation is dependent on the contribution of grants from the State at the appropriate levels. The State Government has advised that funding will be maintained and accordingly this financial report has been prepared on a going concern basis.

2.11 Comparative Figures

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

2.12 Commonwealth Government Funded Projects

Included within the comparative figures (2007) for Commonwealth Grants income, and Festival of Arts 2008 Programmed Events expenditure, are the receipt and consequent payment of grants to third parties. The grants are provided by the Australia Council for the commissioning of works through the 'Major Festivals Initiative of the Australian Council for the Arts' (MFI) initiative. The works being 'Snapshot' and 'Ingkata'. All grants received from the Australia Council were remitted to the individual production companies concerned in accordance with the relevant funding agreement and there were no surplus funds.

3. Staff Expenses	Note	2008	2007
		\$'000	\$'000
Salaries and wages		1 737	1 022
Long service leave		7	26
Annual leave		29	7
Staff on-costs - Superannuation		162	95
Staff on-costs - Other		137	70
Board fees	21	52	56
		2 124	1 276
4. Administration and Marketing Expenses			
Marketing		1 354	144
Property lease	18	112	111
Development		353	48
Insurance		95	6
Communications		36	44
Depreciation/amortisation	11	90	72
Operating leases		45	49
Artistic Directorate		120	147
Other expenses		293	222
		2 498	843
5. Programmed Events			
Festival of Arts 2008		5 914	461
Writers' Week 2006		-	6
Writers' Week 2008		434	11
Festival of Ideas 2007		148	224
		6 496	702
6. Supplies and Services			
Supplies and Services provided by Entities within the SA Government:			
Insurance		5	6
Audit		24	21
Total Supplies and Services - SA Government Entities		29	27
Supplies and Services provided by Entities external to the SA Government:			
Administration and marketing		2 469	816
Programmed events		6 496	702
Total Supplies and Services - Non-SA Government Entities		8 965	1 518
Total Supplies and Services		8 994	1 545

7. Grants from Government	2008	2007
	\$'000	\$'000
Grants from SA Government	4 036	3 080
Commonwealth grants	110	339
Grants from overseas governments	94	2
Grants from Non-SA Government	204	341
8. Other Income		
Sponsorship - Contra	599	10
Sundry	119	55
Book and merchandise sales	630	6
Friends membership	73	34
Donations	29	38
	1 450	143
9. Reconciliation of Cash		
For the purpose of the Cash Flow Statement, cash includes cash on hand, at bank and on deposit.		
Cash on hand	4	1
Cash at bank	233	273
SAFA deposit	309	1 354
	546	1 628

Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.

All deposited funds attract interest. Rates are determined by the bank and SAFA. The interest rate as at 30 June 2008 was 2.8 percent at Adelaide Bank; 3.5 percent at Bank SA and 7.73 percent at SAFA. Interest is paid monthly.

10. Receivables	2008	2007
	\$'000	\$'000
Trade debtors	32	20
Prepayments and accrued revenue	314	30
	346	50

Standard credit terms are 30 days.

Receivables are recognised at their nominal amounts and are non-interest bearing. Amounts are recognised when services are provided. Collectability of debts is assessed at balance date with any bad debts being written off prior to balance date. All amounts are attributed to non-SA Government entities and are expected to be recovered within 12 months from 30 June 2008.

11. Plant and Equipment	2008	2007
	\$'000	\$'000
(a) Office equipment and furniture at cost	340	323
Less: Accumulated depreciation	316	279
Written Down Value	24	44
(b) Leasehold improvements	316	316
Less: Amortisation of leasehold improvements	194	141
Written Down Value	122	175
Total Plant and Equipment Written Down Value	146	219
(c) <i>Reconciliation of Carrying Amounts of Plant and Equipment</i>		
Balance at 1 July	639	639
Add: Additions	17	-
Balance at 30 June	656	639
Accumulated Depreciation:		
Balance at 1 July	420	348
Add: Amortisation expense (Leasehold improvements)	53	53
Add: Depreciation expense (Plant and equipment)	37	19
Balance at 30 June	510	420
Net Book Value	146	219

12. Payables	2008	2007
	\$'000	\$'000
Current:		
Trade creditors and accruals	277	314
Staff on-costs	10	9
Deferred rent incentive	40	40
	327	363
Non-Current:		
Staff on-costs	12	12
Deferred rent incentive	53	92
Finance lease	8	-
	73	104

Creditors are generally paid within 30 days.

Creditors are recognised at their nominal amounts and are non-interest bearing. Liabilities are recognised once the goods or services have been received. All current trade creditors are non-SA Government entities and are expected to be paid within 12 months from 30 June 2008.

13. Staff Benefits	Note	2008	2007
		\$'000	\$'000
(a) Staff Benefits			
Current:			
Accrued salaries and wages		-	44
Annual leave		66	38
		66	82
Non-Current:			
Long service leave		74	67
		74	67
(b) Staff Benefits and Related On-Cost Liabilities			
Accrued Salaries:			
On-costs included in payables - Current	12	-	3
Provision for staff benefits - Current	13(a)	-	44
		-	47
Annual Leave:			
On-costs included in payables - Current	12	10	6
Provision for staff benefits - Current	13(a)	66	38
		76	44
Long Service Leave:			
On-costs included in payables - Non-Current	12	12	12
Provision for staff benefits - Non-Current	13(a)	74	67
		86	79
Aggregate Staff Benefits and Related On-Cost Liabilities		162	170

14. Provisions		2008	2007
		\$'000	\$'000
Current:			
Provision for workers compensation		40	-
Total Provisions		40	-

15. Reconciliation of Net Result to Net Cash (used in) provided by Operating Activities		2008	2007
		\$'000	\$'000
Net result		(823)	1 357
Items not involving cash:			
Depreciation/amortisation		90	72
Deferred rent incentive		40	40
Changes in Assets and Liabilities:			
(Increase) Decrease in receivables		(296)	504
Decrease in payables		(124)	(434)
(Decrease) Increase in provision for staff benefits		(9)	51
Increase in workers compensation provision		40	-
Net Cash (used in) provided by Operating Activities		(1 082)	1 590

16. Remuneration to Auditors
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$24 000 (\$23 000).

The auditors provided no other services.

17. Consultancies

During the year, the Board engaged consultants to assist in its operation. The costs of these consultancies was \$8000 (\$11 000).

	2008	2007
	Number of	Number of
	Consultancies	Consultancies
The number of consultancies which fell within the following bands were:		
\$nil - \$9 999	1	2

18. Unrecognised Contractual Commitments

Operating Leases:

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

Not later than one year

Later than one year and not later than five years

2008	2007
\$'000	\$'000
28	36
20	22
48	58

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

The equipment leases are non-cancellable, payable monthly in advance.

The current property lease commenced 1 November 2004 for a six year period. The gross rental payable is \$152 000 plus indexation of 4 percent per annum. Property lease commitments have been excluded from the above figures.

A fitout incentive of \$239 000 was included in the lease to be taken as a rent free period within the first two years of the term of the lease. (Refer Note 2.8).

Finance Lease

Future minimum lease payments under a single finance lease together with the present value of net minimum lease payments are as follows:

	2008	2007
	\$'000	\$'000
Not later than one year	9	-
Later than one year and not later than five years	8	-
	17	-

The finance lease is not subject to interest or finance charges and the carrying value of the office equipment is \$17 000.

19. Contingent Assets and Liabilities

There are no known contingent assets and liabilities as at 30 June 2008.

20. Remuneration of Staff

The number of staff whose total remuneration fell within the following bands:

\$130 000 - \$139 999

\$140 000 - \$149 999

\$170 000 - \$179 999

\$180 000 - \$189 999

2008	2007
Number of	Number of
Staff	Staff
1	-
1	1
-	1
1	-

The aggregate remuneration referred to in the above table for staff who received remuneration of \$100 000 or more during the year is \$468 000 (\$325 000).

21. Remuneration of Board Members

Remuneration of the Board members fell between the following bands:

\$nil

\$1 - \$9 999

\$10 000 - \$19 999

2008	2007
Number of	Number of
Members	Members
1	1
6	8
1	1

The aggregate remuneration referred to in the above table for Board members is \$52 000 (\$56 000).

The aggregate superannuation paid on behalf of the Board members referred to above was \$5000 (\$5000).

As at 30 June 2008 one member of the Board, who is a government employee, received no sitting fees from the Corporation.

The Board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

21. Remuneration of Board Members (continued)

During the period, the following persons occupied the position of Board members of the Corporation:

Mr R Adler AO, AC (Chair - Ceased March 2008)	Ms Amanda Blair
Mr R Ryan AO (Appointed Chair June 2008)	Mr L Warren (Ceased March 2008)
Mr Brett Rowse (Chair Finance Committee)	Dr J Brine (Ceased November 2007)
Ms S Sdraulig (Ceased March 2008)	Ms M Oates (Ceased March 2008)

As part of the duties of office, from time to time, Board members receive complimentary tickets to shows or events conducted by the Corporation. These benefits serve to involve the Board members in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

22. Comparison of Biennial Periods

The following table highlights the operating result of the Corporation with comparisons of the biennial period 1 July 2004 to 30 June 2006 and 1 July 2006 to 30 June 2008 which covers the periods of operation relating to the Adelaide Bank Festival of Arts and other projects.

	Financial Years 01.07.06 to 30.06.08	Financial Years 01.07.04 to 30.06.06
Revenues:	\$'000	\$'000
Grants from Government	7 061	6 589
Other grants	600	493
Box office	2 548	2 463
Sponsorship	2 402	2 677
Interest	269	231
Donations	67	88
Other income	1 526	1 879
Total Revenues	14 473	14 420
Expenses:		
Administration	1 442	1 595
Development	401	360
Marketing	1 498	1 714
Festival of Ideas	393	303
Programmed events	6 805	6 949
Staff expenses	3 400	3 787
Total Expenses	13 939	14 708
Corporate Surplus (Deficit) from Biennial Period Operations	534	(288)

The two financial years reported in the Income Statement (2008 and 2007) cover the whole period of the development and presentation of the 2008 Adelaide Bank Festival of Arts, resulting in an overall surplus for the biennial Festival of \$534 000.

ART GALLERY BOARD

FUNCTIONAL RESPONSIBILITY

Establishment and Functions

The Art Gallery Board (the Board) is established pursuant to the *Art Gallery Act 1939*. The Board is responsible for the management of the Art Gallery. For details of the Board's functions, refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 26(2) of the *Art Gallery Act 1939* provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including receipting and banking and bequests and donations
- budgetary control and management reporting
- risk management
- property, plant and equipment
- heritage collections.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Art Gallery Board as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Art Gallery Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Art Gallery Board have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit noted some matters where the Board could improve its financial accounting processes. These matters were raised in a management letter to the Director of the Art Gallery and a satisfactory response was received.

The main areas for improvement were the need to develop or enhance policies and procedures and the control framework for the acquisition and loan of artwork, budget setting and monitoring, bookshop operations and to reassess controls over certain revenue functions.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
State Government grants	6.2	5.5	13
Other income	10.3	12.3	(16)
Total Income	16.5	17.8	(7)
EXPENSES			
Employee benefits expense	3.5	3.2	9
Other expenses	7.1	6.7	6
Total Expenses	10.6	9.9	7
NET RESULT	5.9	7.9	(25)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3.2	2.8	14
ASSETS			
Current assets	4.5	5.6	(20)
Non-current assets	648.7	635.1	2
Total Assets	653.2	640.7	2
LIABILITIES			
Current liabilities	1.5	1.3	15
Non-current liabilities	0.7	0.6	17
Total Liabilities	2.2	1.9	16
EQUITY	651.0	638.8	2

Income Statement

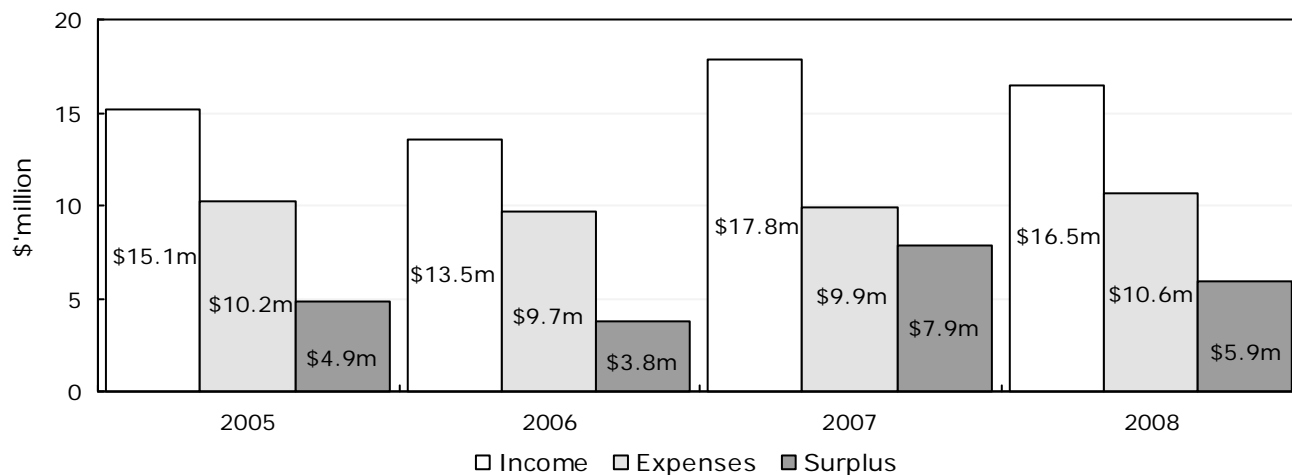
Income

Income for the year totalled \$16.5 million (\$17.8 million). The decrease is attributable mainly to a reduction of \$2.2 million in donated heritage assets, partly offset by an increase in government grants of \$699 000.

Net Result

The net result for the year was a surplus of \$5.9 million (\$7.9 million). The decrease of \$2.2 million in donated heritage assets is the major contributing factor to the reduced level of income and surplus recorded for 2008.

The following chart shows the income, expenses and surpluses for the four years to 2008.



Balance Sheet

The total assets of the Art Gallery Board at 30 June 2008 were \$653.2 million, of which \$611.2 million (94 percent) relates to the Board's heritage collections.

Income Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits	4	3 506	3 205
Supplies and services	6	4 121	3 744
Accommodation and facilities	7	1 957	2 027
Depreciation	8	989	992
Total Expenses		10 573	9 968
INCOME:			
Sale of goods		949	1 200
Fees and charges	9	565	657
Bequests and donations		2 253	1 917
Donations of heritage assets		3 538	5 722
Grants and subsidies	10	297	192
Sponsorships	11	589	591
Resources received free of charge	2.4	628	465
Interest and investment income	12	646	674
Rent and facilities hire		470	250
Net gain from the disposal of non-current assets	13	158	411
Other	14	175	257
Total Income		10 268	12 336
NET COST OF (INCOME FROM) PROVIDING SERVICES		305	(2 368)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government - Recurrent operating grant		5 869	5 498
Revenues from SA Government - Capital grant		328	-
Total Revenues from SA Government		6 197	5 498
NET RESULT		5 892	7 866

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	25	3 634	4 089
Receivables	16	260	921
Inventories		621	622
Total Current Assets		4 515	5 632
NON-CURRENT ASSETS:			
Property, plant and equipment	17	33 761	28 119
Heritage collections	18	611 246	603 435
Investments	19	3 641	3 541
Total Non-Current Assets		648 648	635 095
Total Assets		653 163	640 727
CURRENT LIABILITIES:			
Payables	20	1 125	914
Short-term employee benefits	21	355	308
Short-term provisions	22	54	45
Total Current Liabilities		1 534	1 267
NON-CURRENT LIABILITIES:			
Payables	20	47	43
Long-term employee benefits	21	500	456
Long-term provisions	22	141	125
Total Non-Current Liabilities		688	624
Total Liabilities		2 222	1 891
NET ASSETS		650 941	638 836
EQUITY:			
Retained earnings		401 737	395 845
Asset revaluation reserve		249 204	242 991
TOTAL EQUITY		650 941	638 836
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	23		
Contingent assets and liabilities	24		

**Statement of Changes in Equity
for the year ended 30 June 2008**

	Asset		Total \$'000
	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2006	243 690	386 987	630 677
Changes in Accounting Policy	(699)	992	293
Restated Balance at 30 June 2006	242 991	387 979	630 970
Net result for 2006-07	-	7 866	7 866
Balance at 30 June 2007	242 991	395 845	638 836
Gain on revaluation of land during 2007-08	1 225	-	1 225
Gain on revaluation of buildings during 2007-08	4 988	-	4 988
Net income recognised directly in equity for 2007-08	6 213	-	6 213
Net result for 2007-08	-	5 892	5 892
Total recognised income and expense for 2007-08	-	5 892	5 892
Balance at 30 June 2008	249 204	401 737	650 941

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

Cash Flow Statement for the year ended 30 June 2008

	2008	2007
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits	(3 300)	(3 033)
Supplies and services	(3 002)	(2 842)
Accommodation and facilities	(2 077)	(1 988)
Admission receipts paid to third party	(159)	-
Cash used in Operations	(8 538)	(7 863)
CASH INFLOWS:		
Sale of goods	951	1 186
Fees and charges	596	626
Bequests and donations	2 253	1 917
Grants and subsidies	357	240
Interest and investment income	717	641
Rent and facilities hire	476	248
Admission receipts held on behalf of third party	-	159
Other receipts	193	148
Cash generated from Operations	5 543	5 165
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	6 197	5 498
Cash generated from SA Government	6 197	5 498
Net Cash provided by Operating Activities	3 202	2 800
	25	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of imprest account	-	(2)
Purchase of investments	(322)	(351)
Purchase of property, plant and equipment	(418)	(15)
Purchase of heritage collections	(3 619)	(2 807)
Cash used in Investing Activities	(4 359)	(3 175)
CASH INFLOWS:		
Proceeds from sales/maturities of investments	702	842
Cash generated from Investing Activities	702	842
Net Cash used in Investing Activities	(3 657)	(2 333)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(455)	467
CASH AND CASH EQUIVALENTS AT 1 JULY	4 089	3 622
CASH AND CASH EQUIVALENTS AT 30 JUNE	3 634	4 089
	25	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Art Gallery Board

The Art Gallery Board (the Board) is charged with the management of the Art Gallery of South Australia, as prescribed under the *Art Gallery Board Act 1939*.

The Art Gallery of South Australia's objectives are to:

- collect heritage and contemporary works of art of aesthetic and art historical or regional significance;
- ensure the preservation and conservation of the Gallery collections;
- display the collections and to program temporary exhibitions;
- research and evaluate the collections, and to make the collections and documentation accessible to others for the purposes of research, as a basis for teaching and communications;
- document the collections within a central cataloguing system;
- provide interpretative information about collection displays and temporary exhibitions and other public programs;
- promote the Gallery's collections and temporary exhibitions;
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably;
- advise the SA Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2008. Refer to Note 3.

2.2 Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, and greater than \$100 000, are separately identified and classified according to their nature;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employee TVSP information;
 - (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

2.3 Sources of Funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.4 Income and Expenses

Income and expenses are recognised in the Board's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Income from the sale of goods is recognised at the point of sale. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Income from the rendering of a service is recognised when the Board obtains control over the income. Government grants are recognised as income in the period in which the Board obtains control over the grants.

Resources received Free of Charge

Resources received free of charge are recorded as revenue and expenditure in the Income Statement at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Art Gallery's heritage collections. The value of this work performed is recognised as resources received free of charge in income and a corresponding amount included as conservation work expenditure in supplies and services (Note 6).

Under an arrangement with the Services Division of the Department of the Premier and Cabinet, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income and a corresponding amount included as a business services charge in supplies and services (Note 6).

2.5 Current and Non-Current Classification

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

2.6 Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet include cash at bank and on hand and short-term deposits held with Bank SA. For the purposes of the Cash Flow Statement, cash and cash equivalents are defined above.

Cash is measured at nominal value.

2.7 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The ability to collect trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Board will not be able to collect the debt.

2.8 Inventories

Inventories are measured at the lower of cost or their net realisable value. Cost of inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distribution to customers. Inventories include books and publications held for sale.

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

2.9 Investments

Investments are brought to account at cost in accordance with APF IV APS 2.1.

2.10 Non-Current Asset Acquisition and Recognition

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

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

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

2.11 Valuation of Non-Current Assets

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

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

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

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

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

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

Land and Buildings

An independent valuation of the land and buildings was conducted as at 30 June 2008 by the Australian Valuation Office. The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and Equipment

Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Heritage Collections

Heritage collections were last revalued as at 30 June 2006. The heritage collections are large and diverse. They include many items that are complex to value given considerations of market value and their uniqueness. The Board adopted the following methodology for valuing heritage assets held as at 30 June 2006.

Works of art were valued by the appropriate internal curator and external valuers either by valuing all items or establishing an average value through representative sampling and in the event of variations between the values the following policy was adopted. Where there was disagreement between the internal and external valuation, the higher valuation was recorded as the correct valuation unless the difference in the valuation was substantial and greater than 50 percent in which case the average of the two valuations was recorded as the correct valuation.

Where there was minor disagreement between the internal and external valuation, the higher valuation was recorded if provided by the external valuer. When the external valuation was lower than the internal, and when the difference in the two valuations was substantial and greater than 50 percent, the average of the two valuations was recorded as the correct valuation.

The external valuations were carried out by the following recognised industry experts:

<i>Collection</i>	<i>Industry Expert</i>
Australian Paintings and Sculptures	Ms J Hylton and Ms S Thomas
Australian and European Decorative Arts	Mr K Rayment
Asian Art	Mr D Richards, Mr B Lynch and Mr D Button
European Art:	
European collection Pre 1850	Mr P Matthiesen and Mr A Tumble
British collection and European collection	
Post 1850	Mr P Nahum
Numismatics	Mr G Morton
Krichauf and Murray Stamp Collection	Mr B Parker

All collection items with a value greater than \$350 000 were valued individually. The Research Library collections were valued by sampling the collections and providing a market valuation of the entire stock based on the sample. The values were determined by searching catalogues in second-hand and antiquarian bookshops. Where a value was not available, an estimate was provided by the Librarian, Ms Jin Whittington.

The Archival Collections, consisting of ephemera such as material on individual artists and galleries, was given a nil valuation as there is no reliable market value for this collection.

2.12 Impairment of Assets

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets an impairment loss is offset against the asset revaluation reserve.

2.13 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	20-100
Plant and equipment	3-20

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.14 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All amounts are measured at their nominal amount and are normally settled within 30 days, after the Board receives an invoice.

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

2.15 Employee Benefits

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

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

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current remuneration rates as at reporting date. The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

(ii) Long Service Leave

A liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector, determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Board's experience of employee retention and leave taken.

(ii) On-costs

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

(iii) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

The Department of Treasury and Finance centrally recognises the superannuation liability, for schemes operated by the State Government, in the whole-of-government financial statements.

2.16 Workers Compensation Provision

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

2.17 Leases

The Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Income Statement in the periods in which they are incurred.

2.18 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

2.19 Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, FBT, GST and emergency services levy.

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

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Balance Sheet as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Cash Flow Statement.

2.20 State Government Funding

The financial report is presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.21 Rounding

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

2.22 Insurance

The Board has arranged, through SAICORP, a division of the South Australian Government Financing Authority to insure all major risks of the Board. The excess payable is fixed under this arrangement.

2.23 Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

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

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

2.24 Segment Reporting

The Board's predominant operation is to collect heritage and contemporary works of art, ensure their preservation on behalf of the State and promote the Gallery's collections.

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the reporting period ending 30 June 2008. The Board has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Board.

4. Employee Benefits

	2008	2007
	\$'000	\$'000
Salaries and wages	2 728	2 521
Superannuation	297	279
Payroll tax	167	164
Annual leave	22	15
Long service leave	137	83
Board fees	73	72
Other employee related expenses	82	71
Total Employee Benefits	3 506	3 205

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

\$100 000 - \$109 999
 \$160 000 - \$169 999
 \$170 000 - \$179 999

Total Number of Employees

2008	2007
Number of Employees	Number of Employees
1	1
-	1
1	-
2	2

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$283 000 (\$269 000).

Targeted Voluntary Separation Packages Scheme (TVSPs)

There were no TVSPs paid in 2007-08 or 2006-07.

5. Remuneration of Board Members

Members that were entitled to receive remuneration for membership during 2007-08 financial year were:

Mr M Abbott, QC	Mr P Speakman
Ms C S Tweddell	Ms F Gerard
Mr A Wynn (retired 25 May 2008)	Ms T Whiting
Mr P Ward	Ms A Edwards (appointed 21 February 2008)
Mr A W Gwinnett	

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

\$0 - \$9 999
 \$10 000 - \$19 999

Total Number of Board Members

2008	2007
Number of Board Members	Number of Board Members
8	9
1	1
9	10

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by these board members for the year was \$80 000 (\$78 000).

Amounts paid to a superannuation plan for board members was \$7000 (\$6000).

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

6. Supplies and Services

Supplies and Services provided by Entities external to the SA Government:

Administration expenses
 Preservation activities
 Conservation work
 Consultants' fees
 Contractors' fees
 Cost of goods sold
 Entertainment
 Information technology
 Write-down of inventories
 Maintenance
 Marketing and promotion
 Minor equipment purchases and leasing
 Valuation expenses
 Fees - Exhibitions and publications
 Tours
 Projects
 Travel and accommodation
 Other

Total Supplies and Services - Non-SA Government Entities

2008	2007
\$'000	\$'000
466	415
101	56
36	22
28	-
25	21
433	451
34	17
63	39
-	97
13	12
855	824
143	105
48	30
119	78
31	21
17	16
122	102
167	146
2 701	2 452

6. Supplies and Services (continued)		2008	2007
Supplies and Services provided by Entities within the SA Government:		\$'000	\$'000
Administration expenses		69	81
Business services charge		213	209
Conservation work		480	335
EDS charges		14	39
Insurance and risk management		444	491
Information technology		15	20
Maintenance		95	56
Marketing and promotion		45	6
Motor vehicle expenses		18	19
Other		27	36
Total Supplies and Services - SA Government Entities		1 420	1 292
Total Supplies and Services		4 121	3 744
<i>Payments to Consultants</i>		2008	2007
The number and dollar amount of consultancies paid/payable that fell within the following bands:	Number of	\$'000	Number of
\$10 000 - \$50 000	Consultants		Consultants
	1	28	-
Total Paid/Payable to the Consultants Engaged	1	28	-
7. Accommodation and Facilities		2008	2007
Accommodation and Facilities provided by Entities external to the SA Government:		\$'000	\$'000
Accommodation		409	376
Facilities		150	166
Security		893	970
Total Accommodation and Facilities - Non-SA Government Entities		1 452	1 512
Accommodation and Facilities provided by Entities within the SA Government:			
Accommodation		79	74
Facilities		417	434
Security		9	7
Total Accommodation and Facilities - SA Government Entities		505	515
Total Accommodation and Facilities		1 957	2 027
8. Depreciation			
Buildings and improvements		930	930
Plant and equipment		59	62
Total Depreciation		989	992
9. Fees and Charges			
Fees and Charges received/receivable from Entities external to the SA Government:			
Fees for services		291	249
Admissions to temporary exhibitions		274	408
Total Fees and Charges		565	657
10. Grants and Subsidies			
Grants and subsidies received/receivable from Entities external to SA Government			
Commonwealth government		197	94
External grants		7	58
Total Grants and Subsidies - Non-SA Government Entities		204	152
Grants and subsidies received/receivable from Entities within the SA Government			
State government		93	40
Total Grants and Subsidies - SA Government Entities		93	40
Total Grants and Subsidies		297	192
11. Sponsorships			
Sponsorship received/receivable from Entities external to the SA Government:			
Cash sponsorships		48	60
In-kind sponsorships		541	531
Total Sponsorships		589	591
12. Interest and Investment Income			
Interest from Entities within the SA Government		142	119
Interest and investment income from Entities external to the SA Government		504	555
Total Interest and Investment Income		646	674

13. Net Gain from the disposal of non-current Assets	2008	2007
Plant and Equipment:	\$'000	\$'000
Proceeds from disposal	-	-
Less: Net book value of assets disposed	3	-
Net Loss from disposal of Plant and Equipment	(3)	-
Heritage Collections:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	20
Net Loss from disposal of Heritage Collections	-	(20)
Investments:		
Proceeds from the sale of investments	180	1 364
Less: Net book value of investments	19	933
Net Gain on Sale of Investments	161	431
Total Assets:		
Total proceeds from disposal	180	1 364
Less: Total net book value of assets	22	953
Total Net Gain from the Disposal of Non-Current Assets	158	411
14. Other Income		
Other Income received/receivable from Entities external to the SA Government:		
Fundraising	49	42
Donated assets	-	87
Other receipts	125	127
Total Other Income - Non-SA Government Entities	174	256
Other Income received/receivable from Entities within the SA Government:		
Other receipts	1	1
Total Other Income - SA Government Entities	1	1
Total Other Income	175	257
15. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	24	23
Total Audit Fees - SA Government Entities	24	23
<i>Other Services</i>		
No other services were provided by the Auditor-General's Department to the Board.		
16. Receivables		
Current:		
Receivables	77	708
Accrued income	183	213
Total Receivables	260	921
Receivables from Non-SA Government Entities:		
Receivables	76	708
Accrued income	179	200
Total Receivables - Non-SA Government Entities	255	908
Receivables from SA Government Entities:		
Receivables	1	-
Accrued income	4	13
Total Receivables - SA Government Entities	5	13
Total Receivables	260	921

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and accrued income are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer to Note 26.
 (b) Categorisation of financial instruments and risk exposure information - refer to Note 26.

17. Property, Plant and Equipment	2008	2007
Land, Buildings and Improvements:	\$'000	\$'000
Land at valuation	4 850	3 625
Buildings and improvements at valuation	48 144	40 959
Accumulated depreciation	(19 709)	(16 582)
Total Land, Buildings and Improvements	33 285	28 002
Work in Progress:		
Work in progress at cost	243	-
Total Work in Progress	243	-
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	619	454
Accumulated depreciation	(386)	(337)
Total Plant and Equipment	233	117
Total Property, Plant and Equipment	33 761	28 119

Valuation of Non-Current Assets

The valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2008.

Reconciliation of Property, Plant and Equipment

	Land \$'000	Buildings & Improvements \$'000	Work in Progress \$'000	Plant and Equipment \$'000	2008 Total \$'000
Carrying amount at 1 July	3 625	24 377	-	117	28 119
Additions	-	-	243	178	421
Disposals	-	-	-	(3)	(3)
Depreciation expense	-	(930)	-	(59)	(989)
Revaluation increment	1 225	4 988	-	-	6 213
Carrying Amount at 30 June	4 850	28 435	243	233	33 761

18. Heritage Collections	2008			2007		
	At Valuation \$'000	At Cost \$'000	Total \$'000	At Valuation \$'000	At Cost \$'000	Total \$'000
Australian paintings and sculptures	178 175	4 927	183 102	178 175	3 823	181 998
Australian and European decorative arts	41 894	2 164	44 058	41 894	1 758	43 652
Asian art	14 730	4 239	18 969	14 730	1 077	15 807
European paintings and sculptures	300 000	2 744	302 744	300 000	325	300 325
Prints, drawings and photographs	53 500	927	54 427	53 500	238	53 738
Numismatics	5 872	-	5 872	5 872	-	5 872
Philatelic material	435	-	435	435	-	435
Library	1 584	55	1 639	1 584	24	1 608
Total Heritage Collections	596 190	15 056	611 246	596 190	7 245	603 435

Reconciliation of Carrying Amounts of Heritage Collections

	Balance 01.07.07 \$'000	Additions \$'000	Balance 30.06.08 \$'000
Australian paintings and sculptures	181 998	1 104	183 102
Australian and European decorative arts	43 652	406	44 058
Asian art	15 807	3 162	18 969
European paintings and sculptures	300 325	2 419	302 744
Prints, drawings and photographs	53 738	689	54 427
Numismatics	5 872	-	5 872
Philatelic material	435	-	435
Library	1 608	31	1 639
Total Carrying Amounts	603 435	7 811	611 246

	Balance 01.07.06 \$'000	Additions \$'000	Disposals \$'000	Balance 30.06.07 \$'000
Australian paintings and sculptures	178 175	3 823	-	181 998
Australian and European decorative arts	41 894	1 758	-	43 652
Asian art	14 730	1 077	-	15 807
European paintings and sculptures	300 000	345	(20)	300 325
Prints, drawings and photographs	53 500	238	-	53 738
Numismatics	5 872	-	-	5 872
Philatelic material	435	-	-	435
Library	1 584	24	-	1 608
Total Carrying Amounts	596 190	7 265	(20)	603 435

19. Investments	2008	2007
Investments with Entities other than SAFA:	\$'000	\$'000
Non-Current:		
Shares, convertible notes and other investments in companies	3 641	3 541
Total Non-Current Investments	3 641	3 541
Total Investments	3 641	3 541

The market value of investments as at 30 June 2008 is \$4 290 000 (\$5 076 000).

20. Payables		
Current:		
Creditors and accruals	1 073	867
Employee on-costs	52	47
Total Current Payables	1 125	914
Non-Current:		
Employee on-costs	47	43
Total Non-Current Payables	47	43
Total Payables	1 172	957
Payables to Non-SA Government Entities:		
Creditors and accruals	1 065	858
Total Payables - Non-SA Government Entities	1 065	858
Payables to SA Government Entities:		
Creditors and accruals	8	9
Employee on-costs	99	90
Total Payables - SA Government Entities	107	99
Total Payables	1 172	957

Interest Rate and Credit Risk

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

- (a) Maturity analysis of payables - refer to Note 26
(b) Categorisation of financial instruments and risk exposure information - refer to Note 26

21. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Annual leave	198	177
Long service leave	93	79
Accrued salaries and wages	64	52
Total Current Employee Benefits	355	308
Non-Current:		
Long service leave	500	456
Total Non-Current Employee Benefits	500	456
Total Employee Benefits	855	764

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2007-08 is \$407 000 and \$547 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2007 benchmark (6.5 years).

22. Provisions	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	54	45
Total Current Provisions	54	45
Non-Current:		
Provision for workers compensation	141	125
Total Non-Current Provisions	141	125
Total Provisions	195	170
Carrying amount at the beginning of the period	170	132
Increase in provision recognised	25	38
Carrying Amount at 30 June	195	170

23. Unrecognised Contractual Commitments	2008	2007
Operating Lease Commitments:	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	25	29
Later than one year and not later than five years	24	47
Total Operating Lease Commitments	49	76

The operating lease commitments comprise:

- non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms;
- a non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option exists to renew the lease at the end of its term.

Capital Commitments

Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:

	2008	2007
	\$'000	\$'000
Not later than one year	762	-
Later than one year and not later than five years	1 738	-
Total Capital Commitments	2 500	-

Remuneration Commitments

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

Not later than one year	180	159
Later than one year and not later than five years	109	255
Total Remuneration Commitments	289	414

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

Other Commitments

The Board's other commitments are for contracts for security and cleaning.

Not later than one year	1 141	1 115
Later than one year and not later than five years	396	1 581
Total Other Commitments	1 537	2 696

Contingent rental provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts for another 12 months.

24. Contingent Assets and Liabilities

Contingent Assets

The Board is a beneficiary of a deceased estate. In addition to estate distributions already received, the Board will receive a final distribution estimated to be in the order of \$1.6 million, subject to a favourable ATO tax ruling on the estate.

Contingent Liabilities

There are no known contingent liabilities as at 30 June 2008.

25. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank, and short-term deposits held with Bank SA. Cash as at 30 June as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	2008	2007
	\$'000	\$'000
Deposits with Treasurer	1 225	2 850
Deposits with Bank SA	2 400	1 220
Cash on hand	9	19
Total Cash and Cash Equivalents	3 634	4 089

Interest Rate Risk

Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a Section 21 Interest Bearing Deposit Account titled the 'Art Gallery Board' and the Bank SA account. Deposits with the Treasurer are bearing a floating interest rate between 6.17 percent and 7.09 percent. The interest rate for funds held at Bank SA is 7.70 percent as at 30 June 2008.

Reconciliation of Net Cash provided by Operating Activities to Net (Cost of)	2008	2007
Income from Providing Services	\$'000	\$'000
Net cash provided by operating activities	3 202	2 800
Less: Revenues from SA Government	(6 197)	(5 498)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	(989)	(992)
Donations of heritage collections	3 538	5 722
Gain on disposal of investments	161	431
Loss on disposal of plant and equipment	(3)	-
Loss on disposal of heritage collections	-	(20)
Changes in assets and liabilities:		
(Decrease) Increase in receivables	(557)	533
(Decrease) Increase in inventories	(1)	37
Increase (Decrease) in investments	214	(214)
Decrease (Increase) in payables	443	(334)
(Increase) in employee benefits	(91)	(59)
(Increase) in provisions	(25)	(38)
Net (Cost of) Income from Providing Services	(305)	2 368

26. Financial Instruments/Financial Risk Management**26.1 Categorisation of Financial Instruments**

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

	Note	2008		2007	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets					
Cash and cash equivalents:					
Cash and cash equivalents	25	3 634	3 634	4 089	4 089
Receivables:					
Receivables ⁽¹⁾	16	260	260	921	921
Investments:					
Investments	19	3 641	4 290	3 541	5 076
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables ⁽¹⁾	20	1 172	1 172	957	957

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs, which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 16 for information on the allowance for impairment in relation to receivables.

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

26.2 Ageing Analysis of Financial Assets

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	243	10	7	260
2007				
Not Impaired:				
Receivables	914	1	6	921

26.3 Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturities			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalents	3 634	3 634	-	-
Receivables	260	260	-	-
Investments	3 641	-	-	3 641
Total Financial Assets	7 535	3 894	-	3 641
Financial Liabilities:				
Payables	1 172	1 125	47	-
Total Financial Liabilities	1 172	1 125	47	-
2007				
Financial Assets:				
Cash and cash equivalents	4 089	4 089	-	-
Receivables	921	921	-	-
Investments	3 541	-	-	3 541
Total Financial Assets	8 551	5 010	-	3 541
Financial Liabilities:				
Payables	957	914	43	-
Total Financial Liabilities	957	914	43	-

27. Events After Balance Date

There were no events occurring after balance date.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY

Establishment

The Attorney-General's Department (the Department) is an administrative unit established pursuant to the PSM Act.

Functions

The functions of the Department are to:

- provide professional, legal and associated services to Ministers of the Crown and government agencies
- service the people of South Australia by upholding their legal and property rights and maintaining community and business standards
- provide strategic policy advice to the agencies comprising the Justice portfolio.

For more information about the Department's objectives refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- cash
- payroll
- expenditure
- taxation receipts
- head office revenue
- legal services revenue
- licensing and regulatory fee revenue
- general ledger processing
- risk management.

The work of internal audit was considered when planning the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Attorney-General's Department as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Attorney-General's Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Attorney-General's Department have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. Responses to the management letters were generally considered to be satisfactory. Certain matters raised with the Department and the related responses are discussed below.

Residential Tenancies Fund

The *Residential Tenancies Act 1995* (the RT Act) establishes the Residential Tenancies Fund (the Fund) to receive security bonds provided to landlords and their agents by tenants of residential properties.

Section 62 of the RT Act requires landlords and agents to pay bonds to the Commissioner for Consumer Affairs (the Commissioner) within specified timeframes and provides that failure to do so is an expiable offence.

Whilst the Commissioner has measures in place to identify and monitor bonds which are paid outside the regulatory timeframes, Audit noted that the Commissioner has not documented policies and/or procedures which specify the extent to which possible breaches of section 62 of the RT Act are investigated and enforced.

The Department has committed to documenting applicable policies and/or procedures by December 2008.

Office of Consumer and Business Affairs

The Office for Consumer and Business Affairs is responsible for licensing various occupations and tradespeople on behalf of the Commissioner, including collecting licence fees and issuing and renewing licences.

The audit review identified that in a significant number of instances the Office had not:

- issued reminder notices within the timeframes specified in the Commissioner's policy on renewal returns and reminders
- issued penalty notices within the timeframes specified in the Commissioner's policy on penalties, waivers, cancellations, suspensions and surrenders.

The Commissioner (through the Chief Executive) acknowledged the backlog of reminder and penalty notices and indicated that additional contract staff and use of overtime would be used to ensure all notices were up to date by 31 March 2008.

Reminder and penalty notices have been brought up to date.

Expenditure – Certification of Invoices

The Department's accounts payable processes require invoices to be independently certified and authorised prior to payment. The Department had not introduced a review procedure to ensure that this process control was operating in a consistent manner.

The Department has committed to introducing procedures to ensure that invoices are certified by an officer independent of payment authorisation.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
EXPENSES			
Employee benefit expenses	104	90	16
Supplies and services	48	40	20
Other expenses	17	15	13
Total Expenses	169	145	17
INCOME			
Revenue from fees and charges	68	60	13
Other	13	11	18
Total Income	81	71	14
Net Cost of Providing Services	(88)	(74)	19
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenue from SA Government	86	78	10
Payments to SA Government	(4)	(3)	(33)
Net Result before Restructure	(6)	1	-
Net Revenue from Administrative Restructure	-	3	-
Net Result after Restructure	(6)	4	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES			
	(2)	5	-
ASSETS			
Current assets	36	36	-
Non-current assets	15	11	36
Total Assets	51	47	9
LIABILITIES			
Current liabilities	19	16	19
Non-current liabilities	28	21	33
Total Liabilities	47	37	27
EQUITY	4	10	(60)

Income Statement

Income

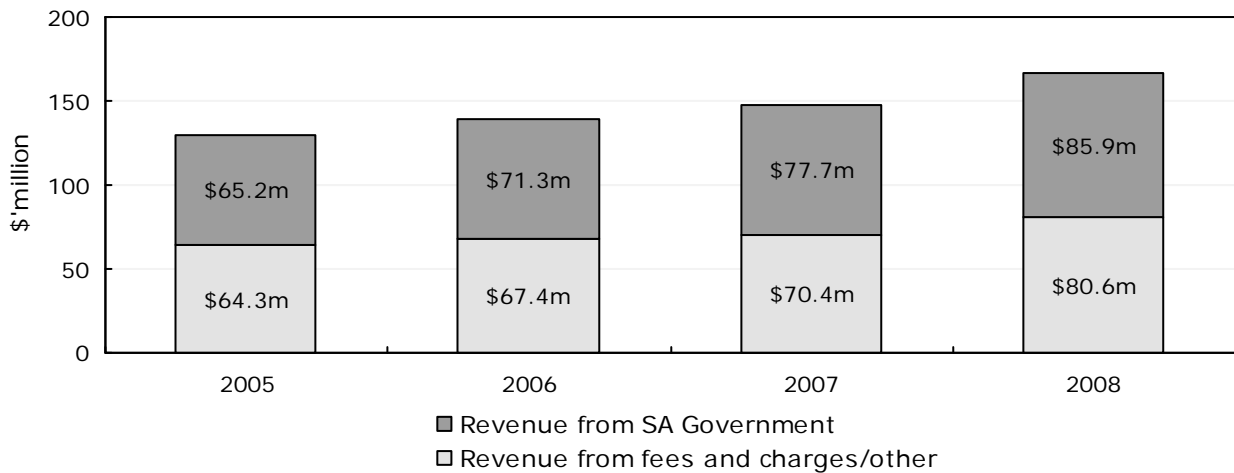
During 2008 the Department collected \$67.8 million in fees and charges. Note 12 to the financial statements shows the main movement in fees and charges. Fees and charges collected from the public increased to \$26.6 million due mainly to an average 4 percent increase in rates for business and occupational licensing.

The Department collected \$41 million in fees and charges from other government agencies which includes fees collected from the provision of legal services, the recovery of costs associated with the administration of specific legislation, network services and fees for forensic services.

In 2008 revenues from the SA Government increased by \$8.3 million to \$85.9 million. This increase mainly reflects the full year impact of the transfer of management responsibility for the following activities during 2007:

- Forensic Science SA (FSSA) from the Department for Administrative and Information Services from 1 January 2007.
- The Office for Women from the Department for Families and Communities from 1 April 2007.
- The Office for Volunteers from the Department of Primary Industries and Resources from 1 April 2007.

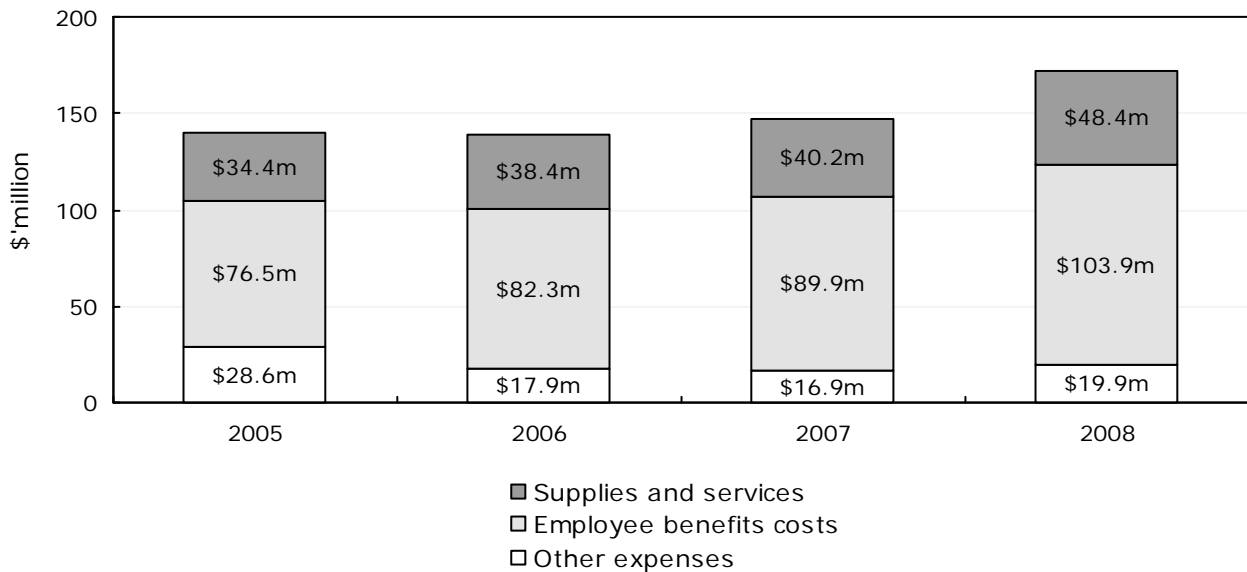
A structural analysis of income for the Department in the four years to 2008 is presented in the following chart.



Expenses

During 2008 total expenses increased by \$25.1 million to \$172.2 million. As with revenues from the SA Government, the increased costs reflected the full year effect of the transfer of management responsibility of FSSA, the Office for Women and the Office for Volunteers to the Department during 2007.

For the four years to 2008, a structural analysis of the main operating expense items for the Department is shown in the following chart.



Other expenses includes payments to the SA Government under the Cash Alignment Policy.

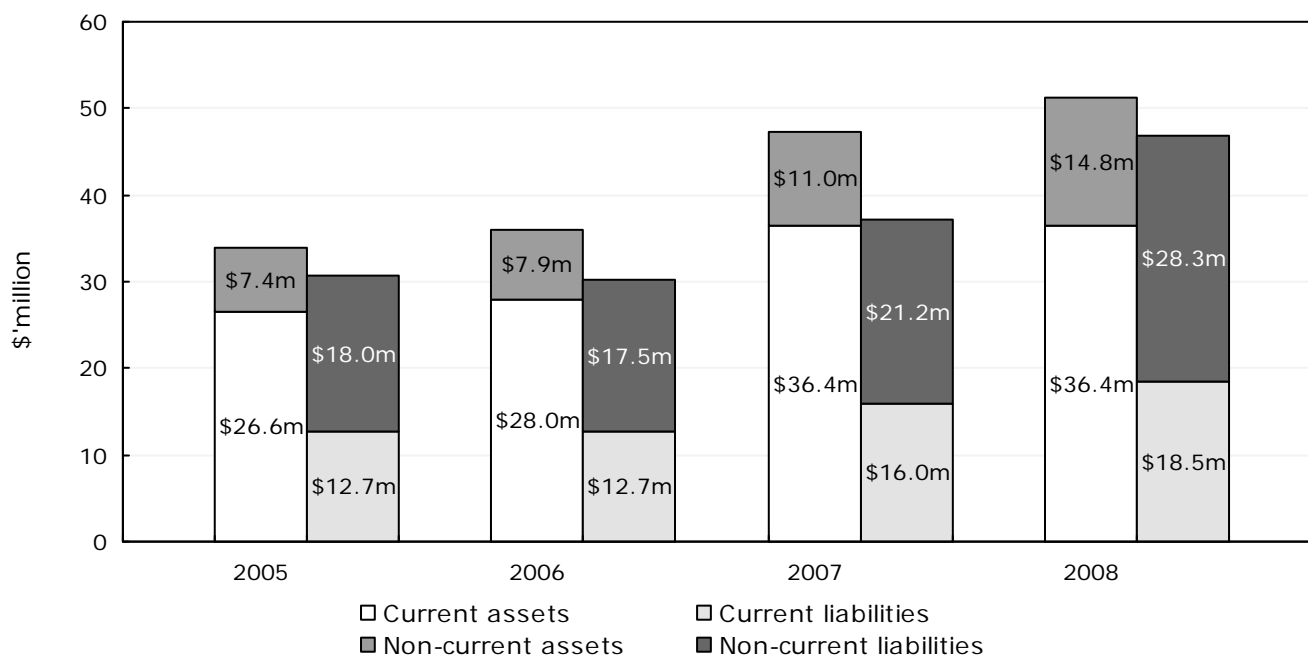
Balance Sheet

In 2008 total assets increased by \$3.9 million to \$51.2 million. This increase is due mainly to the recognition of a lease incentive receivable arising from renewing a lease on Departmental offices. The lease incentive is in the form of a lessor fitout and rent free period and is valued at \$6.8 million.

Current assets at 30 June 2008 include cash of \$21.4 million. The balance of cash includes \$16.6 million held in an accrual appropriation account with the Treasurer which can only be used with the Treasurer's approval.

Total liabilities have increased by \$9.6 million to \$46.8 million due mainly to the recognition of a liability for lease incentives provided pursuant to the renewed operating lease for office accommodation. This liability is recognised in accordance with AASs and will be reduced progressively over the term of the lease.

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	(1.8)	4.6	2.4	(2.7)
Investing	(3.4)	(0.8)	(0.5)	(1.7)
Financing	-	1.0	-	-
Change in Cash	(5.2)	4.8	1.9	(4.4)
Cash at 30 June	21.4	26.6	21.8	19.9

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT FOR ADMINISTERED ACTIVITIES

Highlights of the Financial Report

The administered items of the Department are identified in Note 2.2 of the financial report.

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Revenue from SA Government	56	58	(3)
Taxation	326	347	(6)
Other income	81	63	29
Total Income	463	468	(1)
EXPENSES			
Payments to Consolidated Account	361	372	(3)
Grants	35	32	9
Other expenses	41	44	(7)
Total Expenses	437	448	(2)
Operating Surplus	26	20	30

	2008 \$'million	2007 \$'million	Percentage Change
NET CASH PROVIDED BY OPERATING ACTIVITIES	45	28	61
ASSETS			
Current assets	190	164	16
Non-current assets	83	78	6
Total Assets	273	242	13
LIABILITIES			
Current liabilities	81	78	4
Non-current liabilities	51	41	24
Total Liabilities	132	119	11
EQUITY	141	123	15

Statement of Administered Income and Expenses

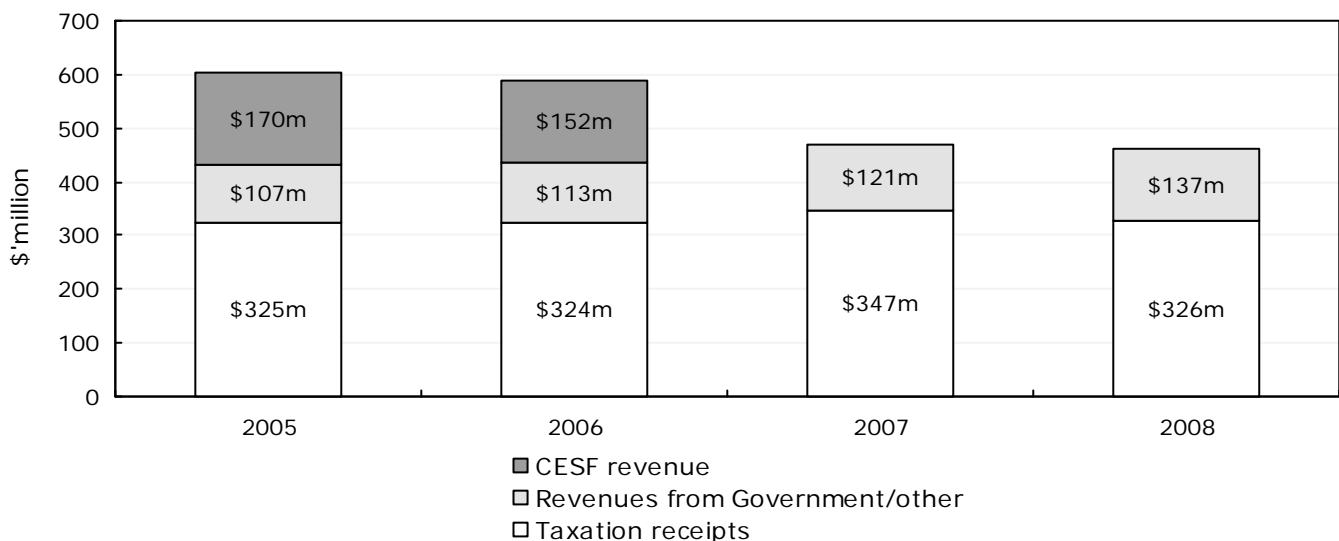
Administered Income

Income administered by the Department includes taxation receipts collected on behalf of Government.

Taxation receipts comprise gaming tax collected pursuant to the *Gaming Machines Act 1992* (GM Act), taxation receipts collected from operations at the Adelaide Casino and off course totalisator tax collected on racing operations. In 2008 taxation receipts decreased by \$21 million to \$326 million due mainly to the \$19 million decrease in the tax generated from gaming machines. Note 31 provides further details.

Revenues from Government/other income increased by \$16.3 million due mainly to the:

- increase in levies payable under section 32 of the *Victims of Crime Act 2001*.
- increase in the interest paid to the Agents Indemnity Fund from land agents and conveyancers trust accounts.



Administered Expenses

Payment to the Treasurer of taxation and other receipts are the Department's largest administered expenses which has decreased in line with the decrease in the receipts.

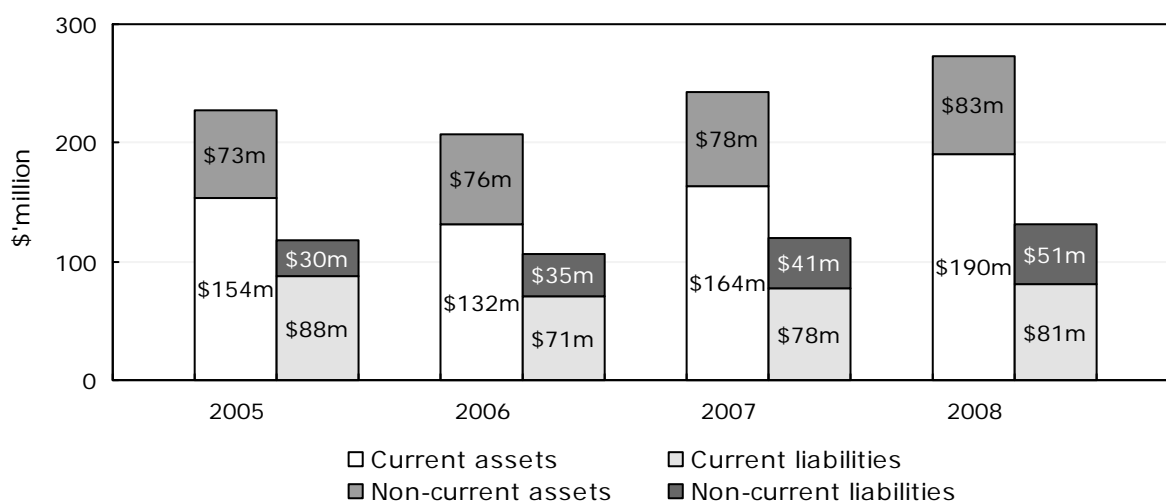
Statement of Administered Assets and Liabilities

At 30 June 2008 the Department administered net assets totalling \$141 million. Net assets included:

- cash and investments of \$59.2 million held in the Agents Indemnity Fund to provide compensation for persons who have suffered financial loss as a result of past or future fiduciary default of land agents or conveyances

- cash totalling \$28.2 million held to provide compensation to victims of crime
- \$25.2 million of taxation revenue due but not yet received.

Administered assets of \$273.2 million include investments of \$128.5 million in Common Funds operated by the Public Trustee which are exposed to movements in the value of the underlying Common Fund assets. In 2007-08 the revaluation of investments with the Public Trustee resulted in a write down taken to the asset revaluation reserve of \$8.3 million and a revaluation decrement of \$1.9 million recognised in other expenses. This reduction in the value of the investments offsets interest earned on investments of \$10.1 million.



Statement of Administered Cash Flows

The following table summarises the administered net cash flows for the four years to 2008.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	45.5	28.3	31.8	34.1
Investing	(26.3)	(8.9)	(6.1)	(8.8)
Financing	-	0.3	(44.3)	-
Change in Cash	19.2	19.7	(18.6)	25.3
Cash at 30 June	113.9	94.7	75.0	93.6

Cash increased by \$19.2 million due mainly to increases in security bonds held in the Residential Tenancies Fund, Victims of Crime levies received and interest earned on cash and investments, offset by an increase in funds invested with the Public Trustee.

The significant cash outflow from financing activity in 2005-06 was largely attributable to the transfer of responsibility for administration of the Community Emergency Services Fund from the Department to the South Australian Fire and Emergency Services Commission.

FURTHER COMMENTARY ON OPERATIONS

Taxation

Taxation revenue for 2007-08 totalled \$326 million (\$347 million). Taxation revenue principally comprises Gaming Machine taxes totalling \$295 million (\$314 million).

Gaming Machine Administration

Section 5 of the GM Act provides that the Liquor and Gambling Commissioner is responsible to the Independent Gambling Authority for the scrutiny of the operations of all licensees under the GM Act.

Under the GM Act, the operations of gaming machines in licensed premises must return winnings to players of not less than 85 percent in the case of machines installed prior to 31 May 2001, and 87.5 percent in the case of machines installed subsequent to that date. A prescribed percentage of the net gambling revenue (NGR) is then required to be paid to the Treasurer (Consolidated Account).

The *Gaming Machines (Miscellaneous) Amendment Act 2005* was proclaimed on 13 January 2005. Key provisions of this Act included the:

- introduction of gaming machine entitlements for each authorised gaming machine licence
- transferability of gaming machine entitlements at a fixed price.

Provisions reflecting the maximum number of gaming machines that can be operated under a licence did not come into effect until 1 July 2005.

The following table summarises gaming machine activity for four years to 2008.

	2008	2007	2006	2005
	Number	Number	Number	Number
Machines (installed as at 30 June)	12 682	12 581	12 598	14 062

	2008	2007	2006	2005
	\$'million	\$'million	\$'million	\$'million
Turnover	7 814	8 009	7 339	6 995
Amount Won	7 056	7 217	6 588	6 246
NGR	758	793	751	749
Tax	295	314	293	296

Independent Gaming Corporation Limited

Pursuant to section 25 of the GM Act, the Liquor and Gambling Commissioner granted the gaming machine monitoring licence to the Independent Gaming Corporation (IGC). The IGC is, under this licence, responsible for monitoring the operations of gaming machine licensees.

Section 75 of the GM Act, specifically provides for the accounts and operations of the IGC to be audited by the Auditor-General.

With respect to the 2007-08 operations, the audit of the IGC has been completed and an unqualified audit opinion issued.

Victims of Crime Fund

The Department is responsible for administering the *Victims of Crime Act 2001* (the VOC Act).

The VOC Act establishes principles for the treatment of victims of crime and provides rights to statutory compensation for injuries suffered as a result of criminal offences. Injury can include physical injury or mental illness if they are the result of the crime, but does not include property loss or damage.

The maximum compensation that may be awarded under the VOC Act is \$50 000. Compensation is only available if an offence can be proved beyond a reasonable doubt. A claim can succeed without a known offender.

Payments made for the year through the Special Deposit Account titled 'Victims of Crime Fund' totalled \$11.9 million (\$13.5 million) on account of 1113 (1227) compensation claims. Payments from the Fund include legal and other costs incurred in the administration of the Fund.

Recoveries from Offenders

The VOC Act empowers the Attorney-General to recover the cost of compensation payments from offenders who were convicted of the offence to which the compensation relates. Recovery of amounts is difficult as most compensation claims are for unknown offenders. This is demonstrated by the following:

- The amounts recovered directly from offenders during the year totalled \$860 000 (\$1.1 million).
- Outstanding amounts at 30 June 2008 were \$55.1 million (\$50.3 million). Since the inception of the Fund, \$36.9 million (\$34.8 million) has been written off.

A further \$1.7 million (\$1.2 million) was recovered from offenders pursuant to the *Criminal Asset Confiscation Act 2005*.

In order to supplement these funds a levy is imposed by the VOC Act on all persons convicted of offences and on expiation notices. Levies for 2007-08 totalled \$16.6 million (\$8 million). In addition, for 2007-08 the Government appropriated \$6.6 million (\$6.5 million) to the Fund.

**Income Statement
for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefit expenses	5	103 927	89 932
Supplies and services	6	48 366	40 228
Grants and subsidies	7	11 893	10 112
Depreciation and amortisation	8	3 111	3 085
Net loss from disposal of assets	9	-	19
Other expenses	10	1 236	1 181
Total Expenses		168 533	144 557
INCOME:			
Revenues from fees and charges	12	67 839	59 905
Recoveries	13	6 818	4 675
Commonwealth revenues		4 022	3 159
Interest revenues	14	-	1
Other income	15	1 912	2 674
Total Income		80 591	70 414
NET COST OF PROVIDING SERVICES		(87 942)	(74 143)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	85 936	77 664
Payments to SA Government	16	3 683	2 541
NET RESULT BEFORE RESTRUCTURE		(5 689)	980
Net revenue from administrative restructure	17	-	3 280
NET RESULT AFTER RESTRUCTURE		(5 689)	4 260

The net result after restructure is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	18	21 398	26 564
Receivables	19	11 766	9 798
Lease incentive receivable		3 200	-
Total Current Assets		36 364	36 362
NON-CURRENT ASSETS:			
Property, plant and equipment	20(a)	9 370	9 644
Intangible assets	21(a)	1 880	1 323
Lease incentive receivable		3 580	-
Total Non-Current Assets		14 830	10 967
Total Assets		51 194	47 329
CURRENT LIABILITIES:			
Payables	22	8 038	7 344
Employee benefits	23	9 140	8 113
Provisions	24	428	286
Lease incentives liability		879	201
Other current liabilities	25	20	20
Total Current Liabilities		18 505	15 964
NON-CURRENT LIABILITIES:			
Payables	22	2 009	1 919
Employee benefits	23	19 055	17 758
Provisions	24	1 441	1 152
Lease incentives liability		5 756	419
Total Non-Current Liabilities		28 261	21 248
Total Liabilities		46 766	37 212
NET ASSETS		4 428	10 117
EQUITY:			
Asset revaluation reserve		4 000	4 000
Retained earnings		428	6 117
TOTAL EQUITY		4 428	10 117

Total equity is attributable to the SA Government as owner

Commitments	27
Contingent assets and liabilities	28

**Statement of Changes in Equity
for the year ended 30 June 2008**

	Asset		Total
	Revaluation Reserve	Retained Earnings	
	\$'000	\$'000	\$'000
Balance at 30 June 2006	4 000	1 857	5 857
Net result after restructure for 2006-07	-	4 260	4 260
Total recognised income and expense for 2006-07	-	4 260	4 260
Balance at 30 June 2007	4 000	6 117	10 117
Net result after restructure for 2007-08	-	(5 689)	(5 689)
Total recognised income and expense for 2007-08	-	(5 689)	(5 689)
Balance at 30 June 2008	4 000	428	4 428

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note		
Employee benefit payments		(101 080)	(87 561)
Payments for supplies and services		(48 510)	(39 429)
Grants and subsidies		(11 893)	(10 112)
GST payments on purchases		(8 103)	(7 056)
Other payments		(1 236)	(1 066)
Cash used in Operations		(170 822)	(145 224)
CASH INFLOWS:			
Fees and charges		65 461	57 826
Receipts from Commonwealth		4 022	3 159
GST receipts on revenue		4 424	4 137
GST input tax credits		3 619	2 715
Interest received		-	41
Recoveries		6 818	4 675
Other receipts		2 453	2 115
Cash generated from Operations		86 797	74 668
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		85 936	77 664
Payments to SA Government		(3 683)	(2 541)
Cash generated from SA Government		82 253	75 123
Net Cash (used in) provided by Operating Activities	26	(1 772)	4 567
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(2 658)	(800)
Payments for intangible assets		(736)	(38)
Net Cash used in Investing Activities		(3 394)	(838)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Receipts from restructure activities		-	1 047
Net Cash provided by Financing Activities		-	1 047
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5 166)	4 776
CASH AND CASH EQUIVALENTS AT 1 JULY		26 564	21 788
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	21 398	26 564

Program Class Schedule of Income and Expenses for the year ended 30 June 2008

	(Refer Note 3)		Program 1		Program 2		Program 3		Program 4	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:										
Revenues from fees and charges	16 149	13 286	2 698	2 860	140	139	-	1		
Recoveries	3 718	1 831	62	50	14	16	6	2		
Commonwealth revenues	14	31	-	52	10	11	-	-		
Interest revenues	-	-	-	-	-	-	-	-		
Other income	284	23	4	11	1	1	1	1		
Total Income	20 165	15 171	2 764	2 973	165	167	7	4		
EXPENSES:										
Employee benefit expenses	(41 705)	(37 581)	(4 579)	(4 305)	(1 520)	(1 555)	(969)	(921)		
Supplies and services	(9 615)	(8 011)	(1 344)	(1 571)	(884)	(631)	(251)	(284)		
Grants and subsidies	(2 412)	(3 292)	(728)	(767)	(10)	(25)	-	-		
Depreciation and amortisation	(311)	(614)	(19)	(21)	(28)	(93)	(2)	(42)		
Net loss from disposal of assets	-	-	-	-	-	(11)	-	-		
Other expenses	(1 159)	(1 159)	-	-	-	-	-	-		
Total Expenses	(55 202)	(50 657)	(6 670)	(6 664)	(2 442)	(2 315)	(1 222)	(1 247)		
NET COST OF PROVIDING SERVICES	(35 037)	(35 486)	(3 906)	(3 691)	(2 277)	(2 148)	(1 215)	(1 243)		

	(Refer Note 3)		Program 5		Program 6		Program 7*		Program 8	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:										
Revenues from fees and charges	-	1	-	3	3 584	1 717	146	6		
Recoveries	14	11	22	18	57	10	897	777		
Commonwealth revenues	-	1	-	1	-	3	3 976	3 043		
Interest revenues	-	-	-	-	-	-	-	-		
Other income	1	1	3	2	9	3	342	642		
Total Income	15	14	25	24	3 650	1 733	5 361	4 468		
EXPENSES:										
Employee benefit expenses	(1 258)	(1 138)	(3 013)	(2 784)	(10 076)	(4 760)	(4 147)	(4 778)		
Supplies and services	(381)	(330)	(961)	(1 060)	(7 555)	(3 806)	(666)	(712)		
Grants and subsidies	-	-	(27)	(27)	(17)	(8)	(8 018)	(5 764)		
Depreciation and amortisation	(8)	(43)	(13)	(9)	(1 894)	(903)	(57)	(159)		
Net loss from disposal of assets	-	(8)	-	-	-	-	-	-		
Other expenses	-	-	-	-	-	-	-	-		
Total Expenses	(1 647)	(1 519)	(4 014)	(3 880)	(19 542)	(9 477)	(12 888)	(11 413)		
NET COST OF PROVIDING SERVICES	(1 632)	(1 505)	(3 989)	(3 856)	(15 892)	(7 744)	(7 527)	(6 945)		

* These programs relate to functions that were transferred to the Department during 2006-07. The full year effect of these programs is shown for the first time in the Program Schedule for 2007-08.

**Program Class Schedule of Income and Expenses
for the year ended 30 June 2008 (continued)**

	(Refer Note 3)	Program 9		Program 10		Program 11		Program 12*	
		2008	2007	2008	2007	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:									
Revenues from fees and charges		13 322	12 749	13 986	12 221	16 583	15 591	-	-
Recoveries		153	139	1 055	1 194	533	577	24	-
Commonwealth revenues		-	1	14	7	5	6	-	-
Interest revenues		-	-	-	1	-	-	-	-
Other income		362	2	320	25	12	9	-	535
Total Income		13 837	12 891	15 375	13 448	17 133	16 183	24	535
EXPENSES:									
Employee benefit expenses		(2 705)	(2 496)	(12 355)	(10 918)	(13 003)	(12 260)	(804)	(198)
Supplies and services		(1 420)	(1 466)	(17 228)	(15 338)	(5 144)	(4 889)	(413)	(243)
Grants and subsidies		-	-	(77)	(81)	(20)	(46)	(497)	(89)
Depreciation and amortisation		(79)	(85)	(356)	(664)	(284)	(289)	(2)	-
Net loss from disposal of assets		-	-	-	-	-	-	-	-
Other expenses		(8)	-	-	-	(69)	(22)	-	-
Total Expenses		(4 212)	(4 047)	(30 016)	(27 001)	(18 520)	(17 506)	(1 716)	(530)
NET COST OF PROVIDING SERVICES		9 625	8 844	(14 641)	(13 553)	(1 387)	(1 323)	(1 692)	5

	(Refer Note 3)	Program 13*		Program 14		Program 15		Total	
		2008	2007	2008	2007	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:									
Revenues from fees and charges		-	-	1 231	1 326	-	5	67 839	59 905
Recoveries		222	34	25	6	16	10	6 818	4 675
Commonwealth revenues		3	-	-	1	-	2	4 022	3 159
Interest revenues		-	-	-	-	-	-	-	1
Other income		2	540	59	53	512	826	1 912	2 674
Total Income		227	574	1 315	1 386	528	843	80 591	70 414
EXPENSES:									
Employee benefit expenses		(1 692)	(368)	(2 531)	(2 792)	(3 570)	(3 078)	(103 927)	(89 932)
Supplies and services		(910)	(228)	(1 038)	(1 299)	(556)	(360)	(48 366)	(40 228)
Grants and subsidies		(77)	(13)	(10)	-	-	-	(11 893)	(10 112)
Depreciation and amortisation		(6)	-	(39)	(139)	(13)	(24)	(3 111)	(3 085)
Net loss from disposal of assets		-	-	-	-	-	-	-	(19)
Other expenses		-	-	-	-	-	-	(1 236)	(1 181)
Total Expenses		(2 685)	(609)	(3 618)	(4 230)	(4 139)	(3 462)	(168 533)	(144 557)
NET COST OF PROVIDING SERVICES		(2 458)	(35)	(2 303)	(2 844)	(3 611)	(2 619)	(87 942)	(74 143)

* These programs relate to functions that were transferred to the Department during 2006-07. The full year effect of these programs is shown for the first time in the Program Schedule for 2007-08.

**Statement of Administered Income and Expenses
for the year ended 30 June 2008**

		2008	2007
INCOME:	Note	\$'000	\$'000
Taxation revenue	31	325 962	347 001
Revenues from SA Government	32	55 892	58 232
Grants and subsidies received	33	29 596	27 434
Interest revenues	34	25 863	19 506
Victims of Crime levies		16 629	7 955
Fees and charges		2 564	2 330
Recoveries and other income	35	6 350	5 172
Total Income		462 856	467 630
EXPENSES:			
Payments to Consolidated Account		360 788	372 377
Grants	36	34 719	31 766
Victims of Crime payments	37	11 869	13 459
State Rescue Helicopter Service charges	38	9 005	9 149
Employee benefit expenses	39	6 449	6 791
Depreciation	40	236	213
Net loss from disposal of assets	41	84	14
Other expenses	42	13 642	14 189
Total Expenses		436 792	447 958
OPERATING SURPLUS		26 064	19 672
Net revenue from administrative restructure	43	-	198
OPERATING SURPLUS AFTER RESTRUCTURE		26 064	19 870

The operating surplus after restructure is attributable to the SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	44	113 893	94 711
Receivables	45	29 438	32 523
Investments	46	46 882	36 103
Other current assets	47	274	559
Total Current Assets		190 487	163 896
NON-CURRENT ASSETS:			
Investments	46	81 659	76 778
Property, plant and equipment	48(a)	1 027	823
Total Non-Current Assets		82 686	77 601
Total Assets		273 173	241 497
CURRENT LIABILITIES:			
Payables	49	5 209	4 141
Employee benefits	50	135	190
Other current liabilities	51	75 835	73 420
Total Current Liabilities		81 179	77 751
NON-CURRENT LIABILITIES:			
Payables	49	7	12
Employee benefits	50	67	113
Other non-current liabilities	51	51 118	40 620
Total Non-Current Liabilities		51 192	40 745
Total Liabilities		132 371	118 496
NET ASSETS		140 802	123 001
EQUITY:			
Asset revaluation reserve		1 729	9 992
Retained earnings		139 073	113 009
TOTAL EQUITY		140 802	123 001
Total equity is attributable to the SA Government as owner			
Commitments	53		
Contingent assets and liabilities	54		

**Statement of Changes in Administered Equity
for the year ended 30 June 2008**

	Asset		Total \$'000
	Revaluation Reserve \$'000	Retained Earnings \$'000	
Balance at 30 June 2006	8 391	93 139	101 530
Gain on revaluation of investments during 2006-07	1 601	-	1 601
Net income/expense recognised directly in equity for 2006-07	1 601	-	1 601
Operating surplus after restructure for 2006-07	-	19 870	19 870
Total Recognised Income and Expense for 2006-07	1 601	19 870	21 471
Balance at 30 June 2007	9 992	113 009	123 001
Loss on revaluation of investments during 2007-08	(8 263)	-	(8 263)
Net income/expense recognised directly in equity for 2007-08	(8 263)	-	(8 263)
Operating surplus after restructure for 2007-08	-	26 064	26 064
Total Recognised Income and Expense for 2007-08	(8 263)	26 064	17 801
Balance at 30 June 2008	1 729	139 073	140 802

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

**Statement of Administered Cash Flows
for the year ended 30 June 2008**

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:	Note	\$'000	\$'000
Taxation receipts		330 198	342 750
Bond lodgements		56 020	46 492
Receipts from SA Government		56 177	58 415
Grants and subsidies received		29 596	27 434
Interest received		25 759	18 785
Victims of Crime levies		15 792	7 957
Bond guarantee receipts		2 680	2 747
Fees and charges		2 395	2 391
Other receipts		6 351	5 065
Cash generated from Operations		524 968	512 036
CASH OUTFLOWS:			
Payments to Consolidated Account		(364 359)	(370 486)
Grants		(34 719)	(31 766)
Victims of Crime compensation payments		(11 869)	(13 459)
Employee benefit payments		(6 572)	(7 048)
Bond refunds		(40 891)	(36 260)
Bond guarantee payments		(2 680)	(2 747)
Other payments		(18 394)	(21 996)
Cash used in Operations		(479 484)	(483 762)
Net Cash provided by Operating Activities	52	45 484	28 274
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for investments		(25 778)	(8 545)
Purchase of property, plant and equipment		(524)	(343)
Cash used in Investing Activities		(26 302)	(8 888)
Net Cash used in Investing Activities		(26 302)	(8 888)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Receipts from restructure activities		-	317
Cash provided by Financing Activities		-	317
Net Cash provided by Financing Activities		-	317
NET INCREASE IN CASH AND CASH EQUIVALENTS		19 182	19 703
CASH AND CASH EQUIVALENTS AT 1 JULY		94 711	75 008
CASH AND CASH EQUIVALENTS AT 30 JUNE	44	113 893	94 711

Program Schedule of Administered Income and Expenses for the year ended 30 June 2008

	(Refer Note 4)	Program 1		Program 2		Program 3		Program 4	
		2008	2007	2008	2007	2008	2007	2008	2007
ADMINISTERED INCOME AND EXPENSES	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:									
Taxation receipts	325 962	347 001	-	-	-	-	-	-	-
Revenues from SA Government	5 100	5 834	450	-	6 633	6 469	7 095	6 447	
Grants and subsidies received*	-	-	13 023	12 755	-	-	1 332	1 319	
Interest revenues	-	-	16 044	11 770	1 440	1 045	-	-	
Victims of Crime levies	-	-	-	-	16 629	7 955	-	-	
Fees and charges	2 481	2 330	-	-	-	-	-	-	
Recoveries and other income	2	16	715	671	2 646	2 383	2 191	1 359	
Total Administered Income	333 545	355 181	30 232	25 196	27 348	17 852	10 618	9 125	
EXPENSES:									
Payments to Consolidated Account	(332 872)	(345 018)	(13 025)	(12 756)	-	-	(1 050)	(1 043)	
Grants	(4 387)	(4 232)	-	-	(2 391)	(2 224)	-	-	
Victims of Crime payments	-	-	-	-	(11 869)	(13 459)	-	-	
State Rescue Helicopter Service charges	-	-	-	-	-	-	(9 005)	(9 149)	
Employee benefit expenses	-	-	(9)	-	-	-	-	-	
Depreciation	-	-	-	-	-	-	-	-	
Net loss from disposal of assets	-	-	-	-	-	-	-	-	
Other expenses	(100)	(110)	(1 471)	(974)	(2 588)	(3 009)	(60)	(62)	
Total Administered Expenses	(337 359)	(349 360)	(14 505)	(13 730)	(16 848)	(18 692)	(10 115)	(10 254)	
OPERATING SURPLUS	(3 814)	5 821	15 727	11 466	10 500	(840)	503	(1 129)	

	(Refer Note 4)	Program 5		Program 6		Program 7		Program 8	
		2008	2007	2008	2007	2008	2007	2008	2007
ADMINISTERED INCOME AND EXPENSES	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME:									
Taxation receipts	-	-	-	-	-	-	-	-	-
Revenues from SA Government	-	96	-	-	3 711	4 499	27 339	24 868	
Grants and subsidies received*	-	-	-	-	-	-	13 641	13 360	
Interest revenues	-	-	8 360	6 675	-	-	-	-	
Victims of Crime levies	-	-	-	-	-	-	-	-	
Fees and charges	-	-	-	-	-	-	-	-	
Recoveries and other income	-	-	220	180	290	290	-	-	
Total Administered Income	-	96	8 580	6 855	4 001	4 789	40 980	38 228	
EXPENSES:									
Payments to Consolidated Account	-	-	-	-	-	-	(13 641)	(13 360)	
Grants	-	-	-	-	(50)	-	(27 339)	(24 868)	
Victims of Crime payments	-	-	-	-	-	-	-	-	
State Rescue Helicopter Service charges	-	-	-	-	-	-	-	-	
Employee benefit expenses	-	(6)	(3 590)	(3 268)	(774)	(745)	-	-	
Depreciation	-	-	(96)	(101)	(98)	(71)	-	-	
Net loss from disposal of assets	-	-	-	(14)	-	-	-	-	
Other expenses	-	(90)	(3 305)	(1 428)	(2 077)	(3 039)	-	-	
Total Administered Expenses	-	(96)	(6 991)	(4 811)	(2 999)	(3 855)	(40 980)	(38 228)	
OPERATING SURPLUS	-	-	1 589	2 044	1 002	934	-	-	

* Grants and subsidies received includes \$13.6 million (\$13.4 million) received from the Commonwealth to support the operations of the Legal Services Commission. These grants are paid to the Treasurer who pays the Department both the Commonwealth and State Government contributions as part of Revenues from SA Government.

Program Schedule of Administered Income and Expenses for the year ended 30 June 2008 (continued)

(Refer Note 4)	Program 9		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME AND EXPENSES				
INCOME:				
Taxation receipts	-	-	325 962	347 001
Revenues from SA Government	5 564	10 019	55 892	58 232
Grants and subsidies received*	1 600	-	29 596	27 434
Interest revenues	19	16	25 863	19 506
Victims of Crime levies	-	-	16 629	7 955
Fees and charges	83	-	2 564	2 330
Recoveries and other income	286	273	6 350	5 172
Total Administered Income	7 552	10 308	462 856	467 630
EXPENSES:				
Payments to Consolidated Account	(200)	(200)	(360 788)	(372 377)
Grants	(552)	(442)	(34 719)	(31 766)
Victims of Crime payments	-	-	(11 869)	(13 459)
State Rescue Helicopter Service charges	-	-	(9 005)	(9 149)
Employee benefit expenses	(2 076)	(2 772)	(6 449)	(6 791)
Depreciation	(42)	(41)	(236)	(213)
Net loss from disposal of assets	(84)	-	(84)	(14)
Other expenses	(4 041)	(5 477)	(13 642)	(14 189)
Total Administered Expenses	(6 995)	(8 932)	(436 792)	(447 958)
OPERATING SURPLUS	557	1 376	26 064	19 672

* Grants and subsidies received includes \$13.6 million (\$13.4 million) received from the Commonwealth to support the operations of the Legal Services Commission. These grants are paid to the Treasurer who pays the Department both the Commonwealth and State Government contributions as part of Revenues from SA Government.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Attorney-General's Department

The aim of the Attorney-General's Department (the Department) is to help create a safe and secure environment in which the public of South Australia can live and work and where the rights of individuals are protected, to advise government agencies and statutory authorities in minimisation of the Government's exposure to legal and business risk, and provide forensic services in relation to coronial and police investigations. The Department also provides consumer law-related, regulatory services, and complaint handling function to the South Australian community.

The Department believes that the following corporate objectives are critical to its operational success. The Department will:

- recognise the importance of good leadership by managers, supervisors and team leaders;
- facilitate and encourage open communications and participative decision making and provide easy access to all information and publications of relevance to staff;
- foster client satisfaction by providing high quality services which meet their needs;
- maintain high professional and management standards, including encouraging professional membership and participation of professional bodies, and provide identified training programs which are consistent with the strategic direction of Government and Departmental objectives;
- recognise performance management and quality principles as tools which assist the organisation to evaluate the contribution of its people in day-to-day activities and which contributes to continuous performance improvement and learning;
- recognise that through policy and planning the organisation's values are communicated, adopted and reinforced throughout the organisation;
- facilitate a cooperative and participative industrial relations culture through the Enterprise Bargaining process.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provision of the PFAA.

Statement of Compliance

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report.

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

The Cash Flow Statement has been prepared on a cash basis.

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

2.2 Reporting Entity

The Department produces both Departmental and Administered financial statements. The Department's financial statements include income, expenses, assets and liabilities, controlled or incurred by the Department in its own right. The Administered financial statements includes income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for controlled items.

For the purposes of accrual accounting and external financial reporting, the Ombudsman Services, Police Complaints Authority, Guardianship Board and Office of the Public Advocate are included in the financial reporting entity of the Department.

The Ombudsman and the Police Complaints Authority undertake investigations into complaints or matters under their respective Acts without interference from the Department and both report separately to Parliament on their operations. The Guardianship Board is a court-like tribunal which has the power to make important decisions affecting the lives and property of persons over whom it has jurisdiction. The Public Advocate provides education, investigation, advocacy and guardianship services in accordance with its statutory functions. The Guardianship Board and Public Advocate were established pursuant to the *Guardianship and Administration Act 1993* (the Act) and are not subject to the direction of the Minister in the performance of their functions under the Act.

Administered items of the Department are listed below:

- Liquor and Gambling Services:
 - Payment of Liquor Subsidies to Licensees
 - Racing Services
 - Taxation Receipts (Casino, Gaming, Gambling, Liquor, Lottery Licences)
- Consumer and Business Affairs:
 - Agents Indemnity Fund
 - Companies Liquidation Account
 - Cooperatives Liquidation Account
 - HIH Fund
 - Remission - Fees and Charges
 - Second Hand Motor Vehicles Dealers Compensation Fund
 - Residential Tenancies Fund
 - Retail Shop Leases Fund
- Victims of Crime Fund
- Crown Solicitor's Trust Account
- Computer Aided Dispatch/Portfolio Radio and Telecommunications
- Contribution to Legal Services Commission for Legal Aid
- State Rescue Helicopter Service
- Other:
 - Child Abuse Program
 - Children in State Care Commission of Inquiry
 - Children on APY Lands Inquiry
 - Compensation Companies Regulation (formerly Companies Code Fees)
 - Expensive State Criminal Cases
 - Legal Practitioners Act Fund
 - Professional Standards Council
 - Native Title Claims
 - Special Acts - Payment of Ministerial Salary and Allowances
 - Special Acts - Payment of Statutory Officer Salaries
 - War Graves.

2.3 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

2.4 Rounding

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

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, Emergency Services Levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

2.6 Income and Expenses

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

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

In accordance with APF II, the financial report's notes disclose income, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

Administered Fees and Charges includes Victims of Crime levies totalling \$16.6 million (\$8 million) received from other SA Government entities. Victims of Crime levies have been recognised on an accrual basis.

Administered Taxation receipts totalling \$326 million (\$347 million) have been recognised on an accrual basis.

Disposal of Non-Current Assets

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

Contributions (Grants)

Contributions received are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to received the contributions and the income recognition criteria are met.

Contributions paid are recognised as a liability and expense when the entity has a present obligation to pay the contribution and expense recognition criteria are met.

Contributions can be either general assistance or a particular purpose and will usually be subject to terms and conditions set out in a contract, correspondence, or by legislation governing the contribution.

2.7 Revenues from (Payments to) SA Government

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

2.8 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are expected to be consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of providing goods and services to other agencies and to the public. Trade receivables are due within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other debtors arise outside the normal course of providing goods and services to other agencies and to the public.

The Department determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue. Bad debts are written off when identified.

2.11 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired for no cost or minimal cost they are recorded at their fair value in the Balance Sheet. If however, the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of \$5000 or greater. Items with an acquisition cost less than \$5000 are expensed in the year of acquisition.

2.12 Revaluation of Non-Current Assets

In accordance with APF III, all non-current tangible assets are valued at written down current cost (a proxy for fair value).

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

Land, buildings, leasehold improvements, furniture, plant and equipment and mobile transport assets were revalued in accordance with the 'fair value' method of valuation as at 1 July 2005. Library collections were revalued in May 2002. Information technology assets are valued at cost.

Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

2.13 Impairment

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

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

2.14 Depreciation and Amortisation of Non-Current Assets

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

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

2.14 Depreciation and Amortisation of Non-Current Assets (continued)

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate.

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

<i>Class of Assets</i>	<i>Depreciation Method</i>	<i>Remaining Useful life (Years)</i>
Buildings and other structures	Straight line	5-23
Leasehold improvements	Straight line	Remaining life of lease
Plant and equipment	Straight line	1-8
Intangible assets	Straight line	1-5
Information Technology	Straight line	3-5
Mobile transport assets	Straight line	2-16

2.15 Intangibles

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

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

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

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

2.16 Investments

Investments represent funds deposited with the Public Trustee. These investments have been designated as available-for-sale financial assets as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bonds repayments or claims on Administered funds.

Investments are made by way of notional unit holdings in a selection of common funds managed by Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

Investments are measured at fair value in accordance with unit prices at balance date as advised by the applicable fund manager.

Investments are classified as either current or non-current. Those to be rolled over within 12 months are classified as current investments.

Revaluation increments and decrements are recognised in the asset revaluation reserve except where, and to the extent, the decrement exceeds the balance of the reserve which is recognised as expenses or the increment reverses previous decrements which are recognised as revenue.

2.17 Payables

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

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

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

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

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

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

2.18 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual sick leave entitlement.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The liability for annual leave is measured using the remuneration rate expected to apply at the time of settlement. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2008 and is measured at the nominal amount. In the event where annual leave is payable later than 12 months, the liability is measured at present value.

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

2.19 Provisions*Workers Compensation*

A liability has been reported to reflect workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Workforce Wellbeing group within the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. The Department's liability is an allocation of the Justice Portfolio's total assessment.

2.20 Leases

The Department has a number of operating leases and payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

Lease Incentives

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

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

3. Programs of the Department

Information about the Department's programs are set out in the Program Schedule. A program is a grouping of related sub-programs that contribute to the achievement of agency and government objectives.

Program 1: Policy Advice and Legal Services

This program is focused on increasing the SA community's and industry's awareness of their rights, responsibilities and confidence that the system of justice is fair, equitable and accessible. It also provides the people of South Australia with an independent and effective prosecution service which is timely, efficient and just.

Program 2: Multicultural Services

This program is focused on building community capacity and safe communities by having sound public sector programs that are designed to implement the State Government's policy commitments and promote equity of access to services.

Program 3: Equal Opportunity

This program is focused on promoting equality of opportunity for the community through the administration of anti-discrimination legislation by examining and responding to complaints and providing information, education and training to encourage compliance with legislation.

Program 4: Police Complaints Authority

Included in this program is the requirement to maintain public confidence in, and proper accountability of SA Police Department through the provision of complaint investigation and resolution services.

Program 5: Ombudsman Services

This program covers the investigation and complaints resolutions against State and Local government agencies. It is focused on ensuring that the public receives fair treatment from government bodies and that public administration is reasonable and just.

- Program 6: Guardianship Services**
This program covers services to promote and protect the rights and interests of people with reduced mental capacity and, where appropriate, their carers, through the Guardianship Board and the Office of the Public Advocate.
- Program 7: Forensic Science**
Provision of forensic science services, primarily in relation to coronial and police investigations.
- Program 8: Policy, Planning and Legislation**
This program provides advice on policy development, review and reform of the law and strategic planning for the Department and Justice Portfolio.
- Program 9: Registration Services**
This program is responsible for registering and maintaining the particulars relating to births, deaths and marriages, business names, incorporated associations and security and investigation agents. The registration of these particulars assist with ensuring transparency in business dealings.
- Program 10: Justice Portfolio Services**
This program is focused on providing excellence in customer service in the delivery of the following support services: financial, business and contract management, Justice technology, portfolio human resources, information knowledge management, strategic development and communications, business reform, Ministerial offices and support, Justice executive and legal community centre along with other grants.
- Program 11: Consumer and Business Affairs**
This program covers the fair trading legislation, regulating defined business activities and maintaining business and civil records for South Australia through the provision of court and tribunal case resolution, alternative dispute resolution, licensing and regulatory services.
- Program 12: Office for Volunteers**
Provision of services that facilitate the implementation of the 'Advancing the Community Together' partnership in order to build stronger communities and increase volunteer rates in accordance with South Australia's Strategic Plan; provision of policy and strategic advice that enhances the Government's capacity to identify, prioritise and respond appropriately to the needs of the volunteer community in South Australia; and initiate programs that support and promote volunteering.
- Program 13: Office for Women**
Pursuit of the full and equal participation of women in the social and economic life of the State by providing innovative and balanced public policy advice to government. Providing high quality statewide information and referral services through the Women's Information Service.
- Program 14: Liquor Regulatory Services**
This program deals with encouraging responsible attitudes towards the promotion, sale, supply, consumption and use of liquor products.
- Program 15: Gambling Regulatory Services**
This program encourages responsible attitudes towards the promotion, sale, supply and use of gambling products; to minimise the harm associated with these products; and to maintain public confidence in the State's gambling industries.

4. Administered Programs

- Program 1: Liquor and Gambling Services**
This administered program recognises activities in relation to the receipt of payments associated with Casino Operations, Gaming Machines and Gaming Taxation. It also recognises receipts and payments associated with Betting Services and Racing Operations.
- Program 2: Consumer and Business Affairs**
This administered program recognises activities in relation to the Agents Indemnity Fund, the Second Hand Vehicles Compensation Fund, the Co-operatives Liquidation Account and the Companies Liquidation Account. This program also includes the receipt of Commonwealth grants to State Government for 'Forgone Revenue' per the Corporations Agreement 2002. The Commonwealth funds received by the Department are paid to the Consolidated Account.
- Program 3: Victims of Crime**
This administered program relates to receipts and payments associated with the *Victims of Crime Act 2001* (VOC Act). The VOC Act provides for payment of compensation to persons who suffer injury as a result of criminal acts and the recovery from the offenders. Payments to victims and the monies recovered from offenders are processed through a special interest bearing deposit account.

- Program 4: State Rescue Helicopter Service**
This administered program relates to the activities of the State Rescue Helicopter Service used by SA Police, Department of Health, SA Country Fire Service and the SA Ambulance Service.
- Program 5: Bodies in the Barrels**
This administered program relates to the Bodies in the Barrels murder case. The Department administers the operations relating to this case. This program concluded in 2006-07.
- Program 6: Trust Accounts**
This administered program relates to activities associated with the Residential Tenancies Fund, Crown Solicitor's Trust Account and the Retail Shop Leases Fund. The Department receives monies which are held in trust pending the outcome of future events or settlements. The Department does not have direct control over these funds and acts in the capacity as trustee. Beneficiaries include other government departments for the sale of government property, claims from individuals and funding for the administration of these trusts (funded by the income earned from investing the Funds' monies).
- Program 7: Emergency Management Communications**
This program relates to activities associated with the implementation of the Computer Aided Dispatch (CAD) and Portfolio Radio and Telecommunications Costs for the Justice Portfolio.
- Program 8: Legal Aid**
This administered program relates to grant payments made to the Legal Services Commission. The Department receives annual specific grant funding from the Commonwealth which, together with the State Government component, is paid to the Legal Services Commission. The Commonwealth grant funding provides legal assistance for matters arising under Commonwealth law, while the State Government grant funding is expended on State law matters.
- Program 9: Other**
This administered program reflects the financial performance and position of various administered activities, including the payment of Special Act salaries; the Child Abuse Program, Expensive State Criminal Cases, Children in State Care Commission of Inquiry, Children on APY Lands Inquiry and Professional Standards Council.

5. Employee Benefit Expenses	2008 \$'000	2007 \$'000
Salaries and wages	75 750	65 542
Employee on-costs	15 122	13 276
Annual leave	6 967	5 888
Long service leave	3 583	3 452
Board fees	1 535	1 422
Other	970	352
Total Employee Benefit Expenses	103 927	89 932

Remuneration of Employees	2008	2007
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees	Number of Employees
\$100 001 - \$110 000	38	30
\$110 001 - \$120 000	27	26
\$120 001 - \$130 000	27	11
\$130 001 - \$140 000	13	9
\$140 001 - \$150 000	9	6
\$150 001 - \$160 000	5	14
\$160 001 - \$170 000	3	14
\$170 001 - \$180 000	16	10
\$180 001 - \$190 000	6	5
\$190 001 - \$200 000	8	5
\$200 001 - \$210 000	4	6
\$210 001 - \$220 000	5	1
\$220 001 - \$230 000	7	2
\$230 001 - \$240 000	5	1
\$240 001 - \$250 000	3	1
\$250 001 - \$260 000	1	1
\$260 001 - \$270 000	3	2
\$270 001 - \$280 000	1	1
\$280 001 - \$290 000	-	1
\$290 001 - \$300 000	1	1
\$300 001 - \$310 000	1	1
\$310 001 - \$320 000	2	-
\$320 001 - \$330 000	1	-
Total Number of Employees	186	148

Remuneration of Employees by Category

	2008	2007
	Number of Employees	Number of Employees
Legal Officers	114	97
Executive	30	19
Other	42	32
Total Number of Employees	186	148

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was \$28.5 million (\$22.0 million).

The increase in the number of employees includes the full year impact of employees transferring from Forensic Science SA, Office for Women and the Office for Volunteers during 2006-07. There has also been an increase in the number of legal officers receiving remuneration of \$100 000 or more.

An increase in enterprise bargaining outcomes has also led to some officers now being included in this Note.

6. Supplies and Services

	2008	2007
	\$'000	\$'000
Information and communications technology	14 735	11 612
Accommodation	10 919	10 076
Contract staff	3 421	2 902
Staff payments	2 658	2 242
Legal fees	4 240	2 041
Office expenses	2 299	2 024
Laboratory supplies	1 113	562
Telephone related expenses	1 350	1 432
Motor vehicle expenses	1 219	1 107
Promotions and publications	944	1 002
Tax and taxable payments	671	698
Plant and equipment purchase and repairs	619	406
Consultancies	611	407
Facilitator costs	277	452
Fingerprinting costs	154	347
Insurance	97	94
Other	3 039	2 824
Total Supplies and Services	48 366	40 228

Supplies and Services provided by entities within the SA Government:

Information and communications technology	2 521	4 444
Accommodation	10 543	9 737
Contract staff	5	-
Staff payments	458	261
Legal fees	31	25
Office expenses	78	55
Laboratory supplies	16	20
Telephone related expenses	1 034	895
Motor vehicle expenses	1 133	1 034
Promotions and publications	65	166
Tax and taxable payments	3	18
Plant and equipment purchase and repairs	2	2
Consultancies	12	50
Fingerprinting costs	103	304
Insurance	93	93
Other	472	506
Total Supplies and Services - SA Government Entities	16 569	17 610

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

	2008	2008	2007	2007
	Number	\$'000	Number	\$'000
Below \$10 000	14	54	10	39
\$10 000 - \$50 000	7	211	8	252
Above \$50 000	3	346	2	116
Total paid/payable to the Consultants Engaged	24	611	20	407

7. Grants and Subsidies	2008	2007
Grants to:	\$'000	\$'000
Community Legal Centres	4 720	3 776
Aboriginal Legal Rights Movement	2 003	2 482
Grants by:		
Policy, Planning and Legislation Division	2 999	1 700
Native Title Claims Resolution Unit	399	785
Multicultural SA	725	761
Other	1 047	608
Total Grants and Subsidies	11 893	10 112
Grants and Subsidies provided to Entities within the SA Government:		
Policy, Planning and Legislation Division	1 103	997
Native Title Claims Resolution Unit	399	776
Multicultural SA	7	16
Other	170	239
Total Grants and Subsidies - SA Government Entities	1 679	2 028
8. Depreciation and Amortisation Expense		
Depreciation:		
Information technology	465	726
Leasehold improvements	1 621	1 606
Plant and equipment	802	615
Buildings and other structures	28	27
Mobile transport assets	16	16
Total Depreciation	2 932	2 990
Amortisation:		
Intangible assets	179	95
Total Amortisation	179	95
Total Depreciation and Amortisation Expense	3 111	3 085
9. Net Loss from Disposal of Assets		
Plant and Equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(19)
Net Loss from Disposal of Plant and Equipment	-	(19)
Total Assets:		
Total proceeds from disposal	-	-
Total net book value of assets disposed	-	(19)
Total Net Loss from Disposal of Assets	-	(19)
10. Other Expenses		
Witness expenses	769	864
Other	467	317
Total Other Expenses	1 236	1 181
Other Expenses paid/payable to Entities within the SA Government:		
Other	180	202
Total Other Expenses - SA Government Entities	180	202
11. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	170	170
Total Auditor's Remuneration	170	170
<i>Other Services</i>		
No other services were provided by the Auditor-General's Department.		
12. Revenues from Fees and Charges		
Licence and regulatory fees	25 707	24 440
Legal services	15 293	12 852
Recovery of administration expenditure	6 312	5 634
Network services	13 965	12 225
Forensic services	3 567	1 700
Interpreting and translating services	2 694	2 837
Other	301	217
Total Revenues from Fees and Charges	67 839	59 905

12. Revenues from Fees and Charges (continued)		2008	2007	
Fees and Charges received/receivable from Entities within the SA Government:		\$'000	\$'000	
Licence and regulatory fees		8	7	
Legal services		15 273	12 852	
Recovery of administration expenditure		6 312	5 634	
Network services		13 965	12 225	
Forensic services		3 567	1 700	
Interpreting and translating services		2 100	2 166	
Other		39	76	
Total Revenues from Fees and Charges - SA Government Entities		41 264	34 660	
13. Recoveries				
Sundry recoveries		6 818	4 675	
Total Recoveries		6 818	4 675	
Recoveries received/receivable from Entities within the SA Government:				
Sundry recoveries		5 426	3 406	
Total Recoveries - SA Government Entities		5 426	3 406	
14. Interest Revenues				
Interest from entities within the SA Government		-	1	
Total Interest Revenues		-	1	
The Department no longer receives interest on special deposit accounts held at the Department of Treasury and Finance.				
15. Other Income				
Other		1 912	2 674	
Total Other Income		1 912	2 674	
Other Income received/receivable from Entities within the SA Government:				
Other		899	1 724	
Total Other Income - SA Government Entities		899	1 724	
16. Revenues from/Payments to SA Government				
Revenues from SA Government:				
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		85 936	77 664	
Total Revenues from SA Government		85 936	77 664	
Payments to SA Government:				
Payment to Treasury under Cash Alignment Policy		3 332	2 541	
Payments to Treasury under Associations Incorporation Act		351	-	
Total Payments to SA Government		3 683	2 541	
17. Net Revenue from Administrative Restructure				
In the Government Gazette dated 28 September 2006, it was reported that the functions of FSSA were transferred to the Department effective from 1 January 2007. A net revenue of \$3.573 million from the transfer of assets and liabilities has been recognised in the Income Statement.				
In the Government Gazette dated 22 March 2007, it was reported that the functions of the Office for Women and the Office for Volunteers were transferred to the Department effective from 1 April 2007. Net expenses of \$8000 and \$285 000 respectively have been recognised in the Income Statement.				
On transfer of these functions, the following assets, liabilities and equities were transferred to the Department:				
	FSSA	Office for Women	Office for Volunteers	Total
	2007	2007	2007	2007
Assets:	\$'000	\$'000	\$'000	\$'000
Current	1 497	246	6	1 749
Non-Current	5 231	-	-	5 231
Total Assets	6 728	246	6	6 980
Liabilities:				
Current	1 171	254	77	1 502
Non-current	1 984	-	214	2 198
Total Liabilities	3 155	254	291	3 700
Net assets (liabilities)	3 573	(8)	(285)	3 280
Net Revenue (Expense) from Administrative Restructure	3 573	(8)	(285)	3 280

18. Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Special Deposit Account with Westpac Bank ⁽¹⁾	21 232	26 404
Cash and cheques in transit	125	119
Cash on hand (including petty cash)	41	41
Total Cash and Cash Equivalents	21 398	26 564

(1) Includes funds held in the Accrual Appropriation Excess Funds Account of \$16.6 million (\$16.9 million). The balances of these funds are not available for general use ie funds can only be used in accordance with the Treasurer's approval.

19. Receivables	2008	2007
	\$'000	\$'000
Receivables	10 173	8 075
Less: Allowance for doubtful debts	500	648
GST receivable	1 539	1 460
Prepayments	372	317
Other	182	594
Total Receivables	11 766	9 798
Receivables from SA Government Entities:		
Receivables	9 894	7 516
Less: Allowance for doubtful debts	500	648
Other	182	594
Total Receivables from SA Government Entities	9 576	7 462

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired.

Carrying amount at 1 July	648	533
Increase in the allowance	287	115
Amounts written off	(435)	-
Carrying Amount at 30 June	500	648

20. (a) Property, Plant and Equipment	2008		Written
	Cost/ Valuation	Accumulated Depreciation/ Amortisation	Down Value
	\$'000	\$'000	\$'000
Leasehold improvements ⁽²⁾	10 008	7 150	2 858
Plant and equipment ⁽²⁾	10 537	6 277	4 260
Land ⁽¹⁾	715	-	715
Information technology	6 447	5 809	638
Library collections ⁽³⁾	407	-	407
Buildings and other structures ⁽¹⁾	417	83	334
Mobile transport assets ⁽²⁾	206	48	158
	28 737	19 367	9 370
		2007	
	Cost/ Valuation	Accumulated Depreciation/ Amortisation	Written Down Value
	\$'000	\$'000	\$'000
Leasehold improvements ⁽²⁾	9 738	5 529	4 209
Plant and equipment ⁽²⁾	8 712	5 586	3 126
Land ⁽¹⁾	715	-	715
Information technology	5 995	5 344	651
Library collections ⁽³⁾	407	-	407
Buildings and other structures ⁽¹⁾	417	55	362
Mobile transport assets ⁽²⁾	206	32	174
	26 190	16 546	9 644

(1) Valuations of land and buildings were performed by David Congrave, AAPI, Certified Practising Valuer of the Australian Valuation Office as at 1 July 2005.

(2) Valuations of leasehold improvements, furniture, mobile transport assets and specialised plant and equipment were performed by Simon B O'Leary, AAPI, MSAA, Certified Practising Valuer – Plant and Machinery of the Australian Valuation Office as at 1 July 2005.

(3) Library collections were valued by M Treloar as at 15 May 2002.

20 (b) *Property, Plant and Equipment Movement Schedule*

	Land \$'000	Buildings \$'000	Leasehold Imprvments \$'000	Mobile Transport Assets \$'000
Carrying amount 1 July	715	362	4 209	174
Additions	-	-	270	-
Disposals	-	-	-	-
Depreciation and amortisation	-	(28)	(1 621)	(16)
Carrying Amount 30 June	715	334	2 858	158

	Information Technology \$'000	Library Collections \$'000	Plant and Equipment \$'000	2008 Total Property Plant and Equipment \$'000
Carrying amount 1 July	651	407	3 126	9 644
Additions	452	-	1 936	2 658
Disposals	-	-	-	-
Depreciation and amortisation	(465)	-	(802)	(2 932)
Carrying Amount 30 June	638	407	4 260	9 370

21. (a) <i>Intangible Assets</i>	2008 \$'000	2007 \$'000
Computer Software:		
Internally developed computer software	1 125	1 044
Accumulated amortisation	(559)	(380)
Total Computer Software	566	664
<i>Work in Progress</i>		
Intangible work in progress at cost	1 314	659
Total Work in Progress	1 314	659
Total Intangible Assets	1 880	1 323

The internally developed computer software relates to FSSA's Case Management Database software.

(b) *Intangibles Movement Schedule*

	Intangibles \$'000	Intangible Work in Progress \$'000	2008 Total Intangibles \$'000
Carrying amount 1 July	664	659	1 323
Additions	57	679	736
Transfers to/from work in progress	24	(24)	-
Disposals	-	-	-
Depreciation and amortisation	(179)	-	(179)
Carrying Amount 30 June	566	1 314	1 880

22. Payables	2008 \$'000	2007 \$'000
Current:		
Creditors	5 364	4 691
Employee on-costs	2 038	2 036
GST payable	449	430
Accruals	187	187
Total Current Payables	8 038	7 344
Non-Current:		
Employee on-costs	2 009	1 919
Total Non-Current Payables	2 009	1 919
Total Payables	10 047	9 263
Payables to SA Government Entities:		
Creditors	866	995
Employee on-costs	4 047	3 955
Accruals	187	187
Total Payables to SA Government Entities	5 100	5 137

Interest Rate Risk

Payables and Accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

23. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Annual leave	5 887	5 396
Accrued salaries and wages	2 037	1 584
Long service leave	1 216	1 133
Total Current Employee Benefits	9 140	8 113
Non-Current:		
Long service leave	19 055	17 758
Total Non-Current Employee Benefits	19 055	17 758
Total Employee Benefits	28 195	25 871

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2007 benchmark (6.5 years).

24. Provisions	2008	2007
Current:	\$'000	\$'000
Provisions for workers compensation	428	286
Total Current Provisions	428	286
Non-Current:		
Provisions for workers compensation	1 441	1 152
Total Non-Current Provisions	1 441	1 152
Total Provisions	1 869	1 438

25. Other Liabilities		
Current:		
Control and working account balances	9	8
Unearned revenue	11	12
Total Current Other Liabilities	20	20
Other Liabilities from SA Government Entities:		
Control and working account balances	9	8
Unearned revenue	8	3
Total Other Liabilities from SA Government Entities	17	11

26. Cash Flow Reconciliation		
Reconciliation of Cash - Cash at 30 June as per:		
Cash Flow Statement	21 398	26 564
Balance Sheet	21 398	26 564

Reconciliation of Net Cost of Providing Services to Net Cash provided by Operating Activities:		
Net cost of providing services	(87 942)	(74 143)
Add: Revenues from SA Government	85 936	77 664
Less: Payments to SA Government	(3 683)	(2 541)
Add (Less): Non-Cash Items:		
Depreciation and amortisation expense	3 111	3 085
Loss on disposal of assets	-	19
Change in Assets and Liabilities:		
Increase in receivables	(1 968)	(3 537)
Increase in lease incentive receivable	(6 780)	-
Increase (Decrease) in lease incentive liability	6 015	(203)
Increase in payables	784	2 093
Increase in employee benefits	2 324	5 088
Increase in provisions	431	182
Decrease in other liabilities	-	(89)
Transfer of current assets on restructure	-	77
Transfer of non-current assets on restructure	-	572
Transfer of current liabilities on restructure	-	(1 502)
Transfer of non-current liabilities on restructure	-	(2 198)
Net Cash (used in) provided by Operating Activities	(1 772)	4 567

27. Commitments	2008	2007
<i>Operating Leases Commitments</i>	\$'000	\$'000
Commitments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	10 157	6 756
Later than one year but not longer than five years	36 537	17 736
Later than five years	27 979	4 520
Total Operating Leases Commitments	74 673	29 012

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance. Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Remuneration Commitments

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

	2008	2007
	\$'000	\$'000
Within one year	15 978	14 587
Later than one year but not longer than five years	34 227	36 456
Total Remuneration Commitments	50 205	51 043

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

Other Commitments

Grants ⁽¹⁾	6 090	6 256
Capital ⁽²⁾	1 698	1 595
Motor vehicles ⁽³⁾	1 056	1 345
Other ⁽⁴⁾	5	1
Total	8 849	9 197
Within one year	6 762	6 346
Later than one year but not later than five years	2 087	2 851
Total Other Commitments	8 849	9 197

- (1) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2009-2011.
- (2) Outstanding contractual payments for building works and maintenance under construction.
- (3) Agreements for the provision of motor vehicles to senior executive officers or sections (ie pool vehicles) with Fleet SA. There are no purchase options available to the Department.
- (4) Other commitments relate to purchase orders placed for goods and services before 30 June 2008.

28. Contingent Assets and Liabilities

The Department has an estimated contingent obligation to pay \$82 000 relating to backdated increases in software maintenance fees.

The Department is of the opinion that provisions are not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

29. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Office for Consumer and Business Affairs

Steering Committee

- Ms Elizabeth Bachmann
- Ms Annabel Brebner
- Ms Debra Contala*
- Mr Nicholas Gruen
- Mr Mal Hemmerling*
- Mr Gaby Jaksa*
- Mr Bernard Lindner*
- Mr Jerome Maguire*
- Ms Beverly O'Brien*
- Mr Les Trudzik

Forensic Science Advisory Committee

- Ms Jenny Hall*
- Mr Tony Harrison*
- Prof Brendon Kearney*
- Mr Adam Kimber*
- Dr Claire Lenehan
- Mr John Lyons
- Mr Graham Martin*
- Mr Edward Mullighan, QC
- Mr Rick Persse*
- Mr Ross Vining*

29. Remuneration of Board and Committee Members (continued)***Residential Tenancies Tribunal***

Mrs Marie Alvino
 Ms Harrison Anderson
 Mr Stuart Andrew
 Mr Adrian Bradbrook
 Mr Peter Carey
 Mr Peter Duffy
 Ms Julia Dunstone
 Mr Stavros Georgiadis
 Ms Elizabeth Haebich
 Ms Barbara Johns
 Ms Jane McCaffrie
 Ms Patricia Mickan
 Ms Jane Moularadellis
 Mrs Patricia Patrick
 Mr Thomas Rymill
 Mr Douglas Stott
 Mr Gerard Twohig
 Mr Roger Vincent
 Ms Margaret Wallace
 Ms Margaret Wagstaff
 Ms Pamela Wilkinson

South Australian Multicultural and Ethnic Affairs Commission

Mr Archibald Andrews
 Ms Maria Barredo
 Ms Swee Dieu
 Mrs Promila Gupta
 Mrs Branka King
 Mr Hieu Van Le
 Ms Vahedea Mansoury
 Mrs Galawez Mustafa
 Mr Mariano Ngor
 Mr Peter Ppiros
 Mr Norman Scheuler
 Mr Antonio Simeone
 Ms Gosia Skalban*
 Mr Petar Zdravkovski

Premier's Council for Women

Miss Diat Alferink
 Ms Eunice Aston
 Ms Rosa Colanero
 Prof Anne Edwards
 Ms Janet Giles
 Ms Elizabeth Haebich
 Ms Anne-Marie Hayes*
 Ms Patricia Mickan
 Ms Eleanor Ramsay
 Ms Ivana Rapajic-Moran
 Ms Suzanne Roux
 Ms Nerida Saunders*
 Ms Eugenia Tsoulis

Guardianship Board

Ms Jennifer Abbey
 Mr Robert Arbon
 Mr David Black
 Ms Margaret Brown
 Mr Brian Butler
 Ms Elizabeth Campbell
 Ms Lee-Anne Clark
 Ms Jeanette Curtis
 Ms Linley Denson
 Mr Anthony Durkin
 Mr Leon Earle
 Ms Audrey Edwards
 Mrs Helen Edwards
 Ms Julie Forgan
 Mr Jonathan Fry
 Ms Lindley Gilfillan
 Mr William Goh
 Mr Philip Harris
 Ms Jan Harry
 Ms Leslie Hastwell
 Mr Lothar Hoff
 Mrs Janet Howell
 Ms Helen Hyde
 Ms Martha Kent
 Mr Leslie Koopowitz
 Ms Eugenia Koussidis
 Ms Sally Langton
 Ms Helen Mares
 Ms Karen McAuley
 Mr Jeremy Moore*
 Ms Karen O'Keefe
 Ms Janece Petrie
 Ms Eileen Quinn
 Mr Neil Rainford
 Mr George Rawson
 Ms Alice Rigney
 Ms Elizabeth Salna
 Ms Lucy Sheppeard
 Dr Elaine Skinner
 Ms Patricia Sutton
 Mr Gerard Twohig
 Ms Judith Worrall
 Ms Penelope Wright

SA Classification Council

Ms Naomi Arnold*
 Ms Barbara Biggins
 Ms Angela Conway
 Mr Michael Dawson
 Mr Anthony Durkin
 Mr Philip Marshall
 Ms Katherine O'Neill*
 Ms Julie Redman

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

	2008	2007
	Number of	Number of
	Members	Members
\$0 - \$9 999	81	59
\$10 000 - \$19 999	12	11
\$20 000 - \$29 999	6	6
\$30 000 - \$39 999	6	5
\$40 000 - \$49 999	2	1
\$50 000 - \$59 999	2	2
\$60 000 - \$69 999	1	-
\$70 000 - \$79 999	-	1
\$80 000 - \$89 000	1	1
\$90 000 - \$99 999	2	2
\$100 000 - \$109 999	1	-
\$120 000 - \$129 999	1	-
\$150 000 - \$159 999	-	1
\$240 000 - \$249 999	1	1
Total Number of Members	116	90

29. Remuneration of Board and Committee Members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$1.53 million (\$1.42 million).

Amounts paid to a superannuation plan for board/committee members was \$140 000 (\$130 000).

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Remuneration for members of the Residential Tenancies Tribunal is paid for by the Residential Tenancies Fund (the Fund). Activities of the Fund are administered by the Department and included within administered Program 6 'Trust Accounts'.

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

30. Financial Instruments

(a) Categorisation of Financial Instrument

Financial Assets

Cash and Receivables are recorded at the carrying amount as per the Balance Sheet, which approximates net fair value.

Financial Liabilities

Payables are recorded at the carrying amount which is considered to be a reasonable estimate of net fair value.

(b) Credit Risk

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Allowances for impairment of financial assets is calculated on past experiences and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. The following table discloses the ageing of financial assets past due.

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	601	1 472	2 105	4 178
Impaired:				
Receivables	-	-	500	500
2007				
Not Impaired:				
Receivables	606	172	1 608	2 386
Impaired:				
Receivables	-	-	648	648

(c) Liquidity Risk

The Department is funded principally from appropriations by the SA Government. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash outflows.

The continued existence of the Department in its present form, and with its present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received.

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

(d) Market Risk

Market risk for the Department is primarily through interest rate risk. The Department currently holds no interest bearing Financial Instruments and is not exposed to interest rate risk.

31. Taxation Revenue - Administered Items

	2008 \$'000	2007 \$'000
Taxation gaming machines	295 064	313 923
Taxation casino operations	20 234	22 285
Taxation off-course totalisator	10 664	10 793
Total Taxation Revenue	325 962	347 001

32. Revenues from SA Government - Administered Items	2008	2007
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the Appropriations Act	48 083	50 329
Appropriations under other Acts	7 809	7 903
Total Revenues from SA Government	55 892	58 232
33. Grants and Subsidies Received - Administered Items		
Commonwealth specific purpose grants:		
Legal aid	13 641	13 360
Company code fees	13 023	12 755
Total Commonwealth Specific Purpose Grants	26 664	26 115
Grants from SA Government:		
Children on APY Lands Inquiry	1 600	-
State Rescue Helicopter Service	1 332	1 319
Total Grants from SA Government	2 932	1 319
Total Grants and Subsidies Received	29 596	27 434
34. Interest Revenues - Administered Items		
Interest from investments	10 070	8 484
Agent's Indemnity Fund interest from agents	11 247	7 874
Interest from the Department of Treasury and Finance	3 634	2 366
Interest from South Australian Housing Trust	912	782
Total Interest Revenues	25 863	19 506
Interest received/receivable from Entities within the SA Government:		
Interest from investments	10 070	8 484
Interest from the Department of Treasury and Finance	3 634	2 366
Interest from South Australian Housing Trust	912	782
Total Interest Revenues - SA Government Entities	14 616	11 632
35. Recoveries and Other Income - Administered Items		
Confiscation of profits	1 687	1 222
Recoveries from offenders	860	1 112
Recoveries for State Rescue Helicopter Service	1 906	1 102
Sundry recoveries	837	707
Other	1 060	1 029
Total Recoveries and Other Income	6 350	5 172
Recoveries and Other Income received/receivable from Entities within the SA Government:		
Recoveries for State Rescue Helicopter Service	1 739	921
Sundry recoveries	656	649
Other	206	200
Total Recoveries and Other Income - SA Government Entities	2 601	1 770
36. Grants - Administered Items		
Legal Services Commission	27 811	25 268
Liquor licensees	4 387	4 232
Victims of Crime legal aid	2 391	2 224
Child Abuse program	-	42
Other	130	-
Total Grants	34 719	31 766
37. Victims of Crime Payments - Administered Items		
Victims of Crime payments	11 869	13 459
Total Victims of Crime Payments	11 869	13 459
Victims of Crime payments paid/payable to Entities within the SA Government:		
Victim of Crime payments	172	694
Total Victims of Crime Payments - SA Government Entities	172	694
38. State Rescue Helicopter Service Charges - Administered Items		
State Rescue Helicopter Service charges	9 005	9 149
Total State Rescue Helicopter Service Charges	9 005	9 149
State Rescue Helicopter Service Charges paid/payable to Entities within the SA Government:		
State Rescue Helicopter Service charges	109	91
Total State Rescue Helicopter Service Charges - SA Government Entities	109	91

39. Employee Benefit Expenses - Administered Items	2008	2007
	\$'000	\$'000
Salaries and wages	4 318	4 774
Employee on-costs	876	961
Board fees	1 001	720
Annual leave	74	195
Long service leave	180	140
Other	-	1
Total Employee Benefit Expenses	6 449	6 791
 <i>Remuneration of Employees</i>		
The number of employees whose remuneration received or receivable falls within the following bands:	2008	2007
	Number of	Number of
	Employees	Employees
\$110 001 - \$120 000	4	-
\$160 001 - \$170 000	1	-
\$230 001 - \$240 000	-	1
\$370 001 - \$380 000	1	-
\$400 001 - \$410 000	-	2
\$420 001 - \$430 000	1	-
Total Number of Employees	7	3
The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was \$1.4 million (\$1.0 million).		
 40. Depreciation Expense - Administered Items	 2008	 2007
Depreciation:	\$'000	\$'000
Information technology	147	122
Leasehold improvements	76	76
Plant and equipment	13	15
Total Depreciation Expense	236	213
 41. Net Loss from Disposal of Assets - Administered Items		
Plant and Equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	9	14
Net Loss from Disposal of Plant and Equipment	9	14
Fixtures and Fittings:		
Proceeds from disposal	-	-
Net book value of assets disposed	75	-
Net Loss from Disposal of Fixtures and Fittings	75	-
Total Assets:		
Total proceeds from disposal	-	-
Total net book value of assets disposed	84	14
Total Net Loss from Disposal of Assets	84	14
 42. Other Expenses - Administered Items		
Legal fees	4 018	5 464
Contract staff	2 238	2 664
Contract maintenance	964	649
Accommodation	705	864
Promotions and publications	637	174
Contribution payments	355	591
Information and communications technology	356	224
Office expenses	140	184
Agents Indemnity Fund claims	75	250
Telephone related expenses	51	66
Betting services	61	64
Consultancies	52	63
Revaluation decrement ⁽¹⁾	1 855	-
Other	2 135	2 932
Total Other Expenses	13 642	14 189

(1) Revaluation decrement refers to a decrease in the value of investments held by Administered Funds with the Public Trustee

42. Other Expenses - Administered Items (continued)		2008		2007
Other Expenses paid/payable to Entities within the SA Government:		\$'000		\$'000
Legal fees		2 585		3 169
Accommodation		689		844
Contribution payments		-		588
Information and communications technology		40		56
Office expenses		83		13
Telephone related expenses		36		37
Contract Staff		30		-
Betting services		5		6
Other		1 135		2 722
Total Other Expenses - SA Government Entities		4 603		7 435
The number and dollar amount of consultancies paid/ payable (included in other expense) that fell within the following bands:		2008	2008	2007
		Number	\$'000	Number
Below \$10 000		2	15	-
\$10 000 - \$50 000		1	37	3
Above \$50 000		-	-	-
Total paid/payable to the Consultants Engaged		3	52	3
				63
43. Net Revenue from Administrative Restructure - Administered Items				
From 1 July 2006 the financial arrangements associated with the State Rescue Helicopter Service (SRHS) transferred to the Department (Administered Items). A net revenue of \$198 000 has been recognised in the Statement of Administered Income and Expenses.				
The following assets and liabilities were transferred to the Department:				
Assets:				2007
Current				\$'000
Total Assets				317
Liabilities:				
Current				119
Total Liabilities				119
Net Assets				198
Net Revenue from Administrative Restructure				198
44. Cash and Cash Equivalents - Administered Items		2008		2007
		\$'000		\$'000
Special Deposit Account with Westpac Bank		113 893		94 711
Total Cash and Cash Equivalents		113 893		94 711
<i>Movement in Trust Accounts</i>	Crown Solicitor's Trust Account	Residential Tenancies Fund	Retail Shop Leases Fund	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	5 948	6 625	14 638	6 772
Receipts	77 773	112 438	56 937	47 229
Payments	(76 533)	(113 115)	(59 193)	(39 363)
Balance at 30 June	7 188	5 948	12 382	14 638
			1 267	792
45. Receivables - Administered Items		2008		2007
		\$'000		\$'000
Receivables		26 905		30 135
Accrued interest		2 473		2 369
Prepayments		54		3
GST receivable		6		16
Total Receivables		29 438		32 523
Receivables from SA Government Entities:				
Receivables		1 620		671
Accrued interest		443		324
Total Receivables from SA Government Entities		2 063		995
46. Investments - Administered Items				
Current:				
Funds invested with the Public Trustee		46 882		36 103
Total Current Investments		46 882		36 103
Non-Current:				
Funds invested with the Public Trustee		81 659		76 778
Total Non-Current Investments		81 659		76 778
Total Investments		128 541		112 881

46. Investments - Administered Items (continued)		2008		2007		
Investments represent funds invested with the Public Trustee as follows:		\$'000		\$'000		
Residential Tenancies Fund		85 682		69 497		
Agents Indemnity Fund		37 483		38 063		
Second Hand Vehicles Compensation Fund		2 506		2 529		
Retail Shop Leases Fund		2 870		2 792		
Total Investments		128 541		112 881		
47. Other Current Assets - Administered Items						
Other current assets		274		559		
Total Other Current Assets		274		559		
Other Current Assets from SA Government Entities:						
Other current assets		274		559		
Total Other Current Assets from SA Government Entities		274		559		
48. (a) Property, Plant and Equipment - Administered Items						
		2008		2007		
		Accumulated		Accumulated		
		Depreciation/		Depreciation/		
		Amortisation/		Amortisation/		
		Written		Written		
		Down		Down		
		Value		Value		
		Cost/		Cost/		
		Valuation		Valuation		
		\$'000		\$'000		
Leasehold improvements ⁽¹⁾	550	286	264	735	320	415
Information technology	764	444	320	660	297	363
Plant and equipment ⁽¹⁾	68	45	23	89	44	45
Capital works in progress	420	-	420	-	-	-
	1 802	775	1 027	1 484	661	823
(1) Valuations of leasehold improvements, plant and equipment were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer – Plant and Machinery of the Australian Valuation Office as at 1 July 2005.						
(b) Property, Plant and Equipment Movement Schedule - Administered Items						2008
						Total
						Property,
						Plant and
						Equipment
						\$'000
		Leasehold	Information	Plant and	Capital Work	
		Improvements	Technology	Equipment	in Progress	
		\$'000	\$'000	\$'000	\$'000	
Carrying amount 1 July		415	363	45	-	823
Additions		-	104	-	420	524
Disposals		(75)	-	(9)	-	(84)
Depreciation and amortisation		(76)	(147)	(13)	-	(236)
Carrying Amount 30 June		264	320	23	420	1 027
49. Payables - Administered Items		2008		2007		
Current:		\$'000		\$'000		
Creditors		5 157		4 069		
Employee on-costs		22		40		
Accruals		30		32		
Total Current Payables		5 209		4 141		
Non-Current:						
Employee on-costs		7		12		
Total Non-Current Payables		7		12		
Total Payables		5 216		4 153		
Payables to SA Government Entities:						
Creditors		3 904		2 515		
Employee on-costs		29		52		
Accruals		30		32		
Total Payables to SA Government Entities		3 963		2 599		
50. (a) Employee Benefits - Administered Items						
Current:						
Annual leave		102		141		
Accrued salaries and wages		29		42		
Long service leave		4		7		
Total Current Employee Benefits		135		190		

50.	(a) Employee Benefits - Administered Items (continued)	2008	2007
	Non-Current:	\$'000	\$'000
	Long service leave	67	113
	Total Non-Current Employee Benefits	67	113
	Total Employee Benefits	202	303

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has not changed from the 2007 benchmark (6.5 years).

51.	Other Liabilities - Administered Items	2008	2007
	Current:	\$'000	\$'000
	Gaming and other receipts payable to the Department of Treasury and Finance	26 932	30 503
	Security bonds lodged	40 891	36 260
	Crown Solicitor's Trust Account	7 188	5 948
	Other	824	709
	Total Other Current Liabilities	75 835	73 420
	Non-Current:		
	Security bonds lodged	51 118	40 620
	Total Other Non-Current Liabilities	51 118	40 620
	Total Other Liabilities	126 953	114 040
	Other Current Liabilities to SA Government Entities:		
	Gaming and other receipts payable to the Department of Treasury and Finance	26 932	30 503
	Other	13	8
	Total Other Current Liabilities to SA Government Entities	26 945	30 511

52.	Cash Flow Reconciliation - Administered Items		
	Reconciliation of Cash - Cash at 30 June per:		
	Cash Flow Statement	113 893	94 711
	Balance Sheet	113 893	94 711
	Reconciliation of Operating Surplus to Net Cash provided by		
	Operating Activities:		
	Operating surplus	26 064	19 672
	Add: Non-Cash Items:		
	Depreciation expense	236	213
	Loss on disposal of assets	84	14
	Decrement on revaluation of investments	1 855	-
	Change in Assets and Liabilities:		
	Decrease (Increase) in receivables	3 085	(4 720)
	Decrease in other assets	285	1 352
	Increase in payables	1 063	553
	Decrease in employee benefits	(101)	(226)
	Increase in other liabilities	12 913	11 535
	Transfer of current liabilities on restructure	-	(119)
	Net Cash provided by Operating Activities	45 484	28 274

53.	Commitments - Administered Items		
	<i>Other Commitments</i>		
	Within one year	13 836	13 781
	Later than one year but not longer than five years	-	13 836
	Total Other Commitments⁽¹⁾	13 836	27 617

(1) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2008-11.

54.	Contingent Assets and Liabilities - Administered Items		
	The Agents Indemnity Fund has an estimated contingent obligation to pay \$189 000 relating to current and expected claims against the Fund. The Second Hand Vehicles Compensation Fund has an estimated contingent obligation to pay \$25 000 relating to current and expected claims against the Fund.		

The Department is of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Under the *Residential Tenancies Act 1995*, interest is paid to tenants when a bond is repaid to them. Interest is not paid when a bond is paid to landlords or third parties such as the South Australian Housing Trust. The interest payable to tenants has not been recorded as a liability as the Residential Tenancies Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2008 is \$183 000.

55. Financial Instruments - Administered Items

(a) Categorisation of Financial Instrument

Financial Assets

Cash and receivables are recorded at the carrying amount which approximates net fair value.

Investments represent funds held by the Public Trustee on behalf of the Residential Tenancies Fund, Retail Shop Leases Fund, Agents Indemnity Fund and Second Hand Vehicles Compensation Fund (the Funds). The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments, including derivatives, which expose the Funds to investment risks, including market, credit, interest and currency risk. These investments are valued by the Public Trustee at reporting date and recognised at fair value.

Financial Liabilities

Financial liabilities principally represent security bonds held on behalf of third parties and taxation receipts payable to the Treasurer. The carrying amount of all financial liabilities is considered to be a reasonable estimate of net fair value.

(b) Credit Risk

At reporting date funds totalling \$128.5 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Allowances for impairment of financial assets are calculated on past experiences and expected changes in client credit rating. Currently the Department does not hold any collateral as security for any of its financial assets. There are no Financial Assets administered by the Department past due.

(c) Liquidity Risk

Financial liabilities principally represent security bonds held on behalf of third parties and taxation receipts payable to the Treasurer. Security bonds are payable on receipt of an application from the tenant or lessee. All investments held with the Public Trustee are available at call.

(d) Market Risk

Activities administered by the Department are exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Investments held with the Public Trustee are classified as 'available for sale' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised directly in equity. Accordingly there is no impact on administered income and expenses.

Cash administered by the Department is also subject to interest rate risk.

Sensitivity Analysis

The impact of a one percent movement in interest rates and a one percent movement in equity indexes on financial assets administered by the Department is shown in the following table.

	Carrying Amount	Interest Rate Risk		Price Risk	
		-1% Operating Surplus	+1% Operating Surplus	-1% Equity	+1% Equity
2008					
Financial Assets:	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	113 893	(1 139)	1 139	-	-
Investments	128 541	-	-	(1 285)	1 285
Total Increase (Decrease)		(1 139)	1 139	(1 285)	1 285
2007					
Financial Assets:					
Cash and cash equivalents	94 711	(947)	947	-	-
Investments	112 881	-	-	(1 129)	1 129
Total Increase (Decrease)		(947)	947	(1 129)	1 129

RESIDENTIAL TENANCIES FUND

The *Residential Tenancies Act 1995* regulates the relationship of landlords and tenants under residential tenancy agreements and provides for the establishment of the Residential Tenancies Fund and a Tribunal to resolve disputes.

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INCOME:			
Interest revenue		8 063	6 433
Other income	2	212	173
Total Income		8 275	6 606
EXPENSES:			
Staffing costs	3	3 521	3 205
Accommodation		375	555
Depreciation	4	96	101
Net loss from disposal of assets		-	14
Other expenses	5	2 896	864
Total Expenses		6 888	4 739
NET RESULT		1 387	1 867

The net result is attributable to the SA Government as owner.

**Balance Sheet
as at 30 June 2008**

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	6	12 382	14 638
Investments		29 885	23 147
Receivables	7	232	414
Total Current Assets		42 499	38 199
NON-CURRENT ASSETS:			
Property, plant and equipment	8	327	413
Investments		55 797	46 350
Total Non-Current Assets		56 124	46 763
Total Assets		98 623	84 962
CURRENT LIABILITIES:			
Security bonds lodged	9	40 478	35 887
Payables	10	3 715	2 385
Total Current Liabilities		44 193	38 272
NON-CURRENT LIABILITIES:			
Security bonds lodged	9	48 131	38 002
Total Non-Current Liabilities		48 131	38 002
Total Liabilities		92 324	76 274
NET ASSETS		6 299	8 688
EQUITY:			
Asset revaluation reserve		793	4 569
Retained earnings		5 506	4 119
TOTAL EQUITY		6 299	8 688

Total equity is attributable to the SA Government as owner.

Contingent assets and liabilities

12

Statement of Changes in Equity for the year ended 30 June 2008

	Asset Revaluation Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2006	3 773	2 252	6 025
Gain on revaluation of investments during 2006-07	796	-	796
Net income/expense recognised directly in equity for 2006-07	796	-	796
Net result for 2006-07	-	1 867	1 867
Total Recognised Income and Expense for 2006-07	796	1 867	2 663
Balance at 30 June 2007	4 569	4 119	8 688
Loss on revaluation of investments during 2007-08	(3 776)	-	(3 776)
Net income/expense recognised directly in equity for 2007-08	(3 776)	-	(3 776)
Net result for 2007-08	-	1 387	1 387
Total Recognised Income and Expense for 2007-08	(3 776)	1 387	(2 389)
Balance at 30 June 2008	793	5 506	6 299

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
INFLOWS:			
Interest received		8 246	6 283
Bond lodgements		55 198	45 833
Bond guarantee receipts		2 680	2 747
Other receipts		212	175
Cash generated from Operations		66 336	55 038
OUTFLOWS:			
Administration		(3 607)	(3 411)
Bond refunds		(40 478)	(35 887)
Bond guarantee payments		(2 680)	(2 747)
Other payments		(80)	(63)
Cash used in Operations		(46 845)	(42 108)
Net Cash provided by Operating Activities	11	19 491	12 930
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for investments		(21 737)	(5 064)
Payments for property, plant and equipment		(10)	-
Cash used in Investing Activities		(21 747)	(5 064)
Net Cash used in Investing Activities		(21 747)	(5 064)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2 256)	7 866
CASH AND CASH EQUIVALENTS AT 1 JULY		14 638	6 772
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	12 382	14 638

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Residential Tenancies Fund

The Residential Tenancies Fund (Fund) is established under the *Residential Tenancies Act 1995* (Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Residential Tenancies Tribunal.

1.2 Basis of Accounting

The financial statements are required by section 102(1) of the Act and are a general purpose financial report.

The statements have been prepared in accordance with applicable AASs, APSs and TIs issued by the Department of Treasury and Finance.

Statement of Compliance

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the reporting period ending 30 June 2008. An assessment concluded that the new and amended Standards and Interpretations will have no impact on the accounting policies or the financial report.

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

The Fund's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets which, as noted are at valuation (fair value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Fund's Balance Sheet when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard.

Income and expenses are recognised in the Fund's Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by the South Australian Housing Trust. In the event of a claim by a landlord, a payment is made by the Fund. The South Australian Housing Trust then reimburses the Fund. The value of bond guarantees lodged at 30 June 2008 is \$14.2 million (\$13.2 million).

The South Australian Housing Trust pays interest at an agreed market determined rate to the Fund based on the daily balance of bond guarantees held.

1.3 Staffing Costs

Employees of the Department are assigned to support the Commissioner in the administration of the Fund.

No liability for employee benefits (provision for annual leave and long service leave) has been recognised as this liability rests with the Department.

The value of staffing costs reflected in Note 3 includes remuneration paid to members of the Residential Tenancies Tribunal.

1.4 Taxation

The Fund is not subject to income tax. The Fund is liable for payroll tax, FBT and the GST.

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

- where the amount of GST incurred by the Fund as a purchaser is not recoverable from the ATO
- receivables and payables are stated with the amount of GST included.

1.5 Leases

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset. The majority of operating lease payments reflects accommodation expenses.

1.6 Cash and Cash Equivalents

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represents funds held in a Deposit Account with the Treasurer.

1.7 Investments

Investments represent funds deposited with the Public Trustee. These investments have been designated as available for sale financial assets as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bond repayments.

Investments are measured at fair value in accordance with unit prices at balance date as advised by the applicable fund manager.

Investments are classified as either current or non-current. Those to be rolled over within 12 months are classified as current investments.

Investments are made by way of notional unit holdings in a selection of common funds managed by Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted. As at 30 June the Fund held investments in common funds in the following proportions:

Capital Stable	50 percent
Balanced	15 percent
Cash Common Fund	35 percent

Revaluation increments and decrements are recognised in the asset revaluation reserve except where, and to the extent, the decrement exceeds the balance of the reserve which is recognised as expenses or the increment reverses previous decrements which are recognised as revenue.

1.8 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange for liabilities undertaken.

1.9 Plant and Equipment

Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$5000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

In accordance with APF III, all non-current tangible assets are revalued at written down current cost (a proxy for fair value).

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

Land, leasehold improvements, furniture and plant and equipment were revalued in accordance with the 'fair value' method of valuation as at 1 July 2007. Information technology assets are valued at cost.

Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Depreciation

Depreciable plant and equipment assets are written off to their estimated residual values over their estimated useful lives using the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current or future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation rates applying to each class of depreciable asset are based on the following remaining useful lives:

	<i>Years</i>
Leasehold improvements	Remaining life of lease
Plant and equipment	1-8
Information technology	3 - 5

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4.

1.10 Comparative Figures

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS have required a change.

Where presentation or classification of items in the financial report has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

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

1.11 Rounding

Amounts have been rounded to the nearest thousand dollars (\$'000).

2. Other Income	2008	2007
	\$'000	\$'000
Management fee recovery	210	167
Trainee salary recovery	2	6
Total Other Income	212	173
3. Staffing Costs		
Salaries and wages	2 796	2 494
Payroll tax and superannuation expenses	452	435
Annual Leave	187	195
Long service leave expenses	86	81
Total Staffing Costs	3 521	3 205

4.	Depreciation	2008	2007
		\$'000	\$'000
	Leasehold improvements	40	42
	Information technology	48	50
	Plant and equipment	8	9
	Total Depreciation	96	101
<hr/>			
5.	Other Expenses		
	Decrement on revaluation of investments	1 776	-
	Administration	771	583
	Information and communications technology	217	167
	Legal fees	53	69
	Travel	26	23
	Other	53	22
	Total Other Expenses	2 896	864
<hr/>			
6.	Cash and Cash Equivalents		
	Section 21 Deposit Account with the Treasurer	12 382	14 638
	Total Cash and Cash Equivalents	12 382	14 638
<hr/>			
7.	Receivables		
	Accrued interest	230	412
	Other receivables	2	2
	Total Receivables	232	414
<hr/>			
8.	<i>(a) Plant and Equipment</i>	2008	2007
		Cost/ Valuation \$'000	Accumulated Depreciation \$'000
		Written Down Value \$'000	Cost/ Valuation \$'000
		Accumulated Depreciation \$'000	Accumulated Depreciation \$'000
		Written Down Value \$'000	Written Down Value \$'000
	Leasehold improvements ⁽¹⁾	550	286
	Information technology	310	270
	Plant and equipment ⁽¹⁾	68	45
		264	40
		23	68
		37	550
		918	505
		413	304
		78	222
		31	37
		928	601
		327	918
		413	505
<hr/>			
	(1) Valuations of leasehold improvements and plant and equipment were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer - Plant and Machinery of the Australian Valuation Office as at 1 July 2005.		
(b)	<i>Plant and Equipment - Movement Schedule</i>		2008
			Total
			Plant and
			Equipment
			\$'000
	Leasehold Improvements	\$'000	\$'000
	Information Technology	\$'000	\$'000
	Plant and Equipment	\$'000	\$'000
	Carrying amount 1 July	304	78
	Additions	-	10
	Disposals	-	-
	Revaluation	-	-
	Depreciation	(40)	(48)
	Carrying Amount 30 June	264	40
		23	(96)
		327	327
<hr/>			
9.	Security Bonds Lodged	2008	2007
	Current:	\$'000	\$'000
	Bonds lodged	40 459	35 872
	Sale of goods	12	12
	Rent held pursuant to Tribunal direction	7	3
	Total Current Security Bonds Lodged	40 478	35 887
<hr/>			
	Non-Current:		
	Bonds Lodged	48 131	38 002
	Total Non-Current Security Bonds Lodged	48 131	38 002
<hr/>			
10.	Payables		
	Current:		
	Creditors	3 698	2 369
	Accruals	17	16
	Total Payables	3 715	2 385
<hr/>			

11. Cash Flow Reconciliation	2008	2007
Reconciliation of Cash - Cash at 30 June per:	\$'000	\$'000
Cash Flow Statement	12 382	14 638
Balance Sheet	12 382	14 638
	<hr/>	<hr/>
Reconciliation of Net Result to Net Cash provided by Operating Activities:		
Net result	1 387	1 867
Add: Non-cash items:		
Decrement on revaluation of investments	1 776	-
Depreciation	96	101
Loss on disposal of assets	-	14
Change in assets and liabilities:		
Decrease (Increase) in receivables	182	(149)
Increase in payables	1 330	1 150
Increase in security bonds	14 720	9 947
Decrease in other liabilities	-	-
Net Cash provided by Operating Activities	19 491	12 930
	<hr/>	<hr/>

12. Contingent Liabilities and Contingent Assets

Under the Act, interest is paid to tenants when a bond is repaid to them, interest is not paid when a bond is paid to landlords or third parties such as the South Australian Housing Trust. The interest payable to tenants has not been recorded as a liability, as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2008 is \$183 000 (\$159 000).

13. Remuneration of Auditors

The amount payable to the Auditor-General for audit services during the reporting period was \$15 000 (\$16 000). No other services were provided by the Auditor-General.

14. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Residential Tenancies Tribunal

Mrs Marie Alvino	Ms Patricia Mickan
Ms Harrison Anderson	Ms Jane Moularadellis
Mr Stuart Andrew	Mrs Patricia Patrick
Mr Adrian Bradbrook	Mr Thomas Rymill
Mr Peter Carey	Mr Douglas Stott
Mr Peter Duffy	Mr Gerard Twohig
Ms Julia Dunstone	Mr Roger Vincent
Mr Stavros Georgiadis	Ms Margaret Wagstaff
Ms Elizabeth Haebich	Ms Margaret Wallace
Ms Barbara Johns	Ms Pamela Wilkinson
Ms Jane McCaffire	

The number of members who remuneration received or receivable falls within the following bands:	2008	2007
	\$'000	\$'000
\$0 - \$9 999	4	4
\$10 000 - \$19 999	2	1
\$20 000 - \$29 999	1	2
\$30 000 - \$39 999	3	2
\$40 000 - \$49 999	2	1
\$50 000 - \$59 999	2	2
\$60 000 - \$69 999	2	-
\$70 000 - \$79 999	-	1
\$80 000 - \$89 999	-	1
\$90 000 - \$99 999	2	2
\$100 000 - \$109 999	1	-
\$120 000 - \$129 999	1	-
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	1	-
Total number of members	21	17
	<hr/>	<hr/>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$1.17 million (\$900 000).

Amounts paid to a superannuation plan for board/committee members was \$99 000 (\$77 000).

15. Financial Instruments

(a) *Categorisation of Financial Instruments*

Financial Assets

Cash and receivables are recorded at the carrying amount which approximates net fair value.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments, including derivatives, which expose the Fund to investment risks, including market, credit, interest and currency risk. These investments are valued by the Public Trustee at reporting date and recognised at fair value.

Financial Liabilities

Financial liabilities principally represent security bonds held on behalf of third parties. The carrying amount of all financial liabilities is considered to be a reasonable estimate of net fair value.

(b) *Credit Risk*

At reporting date funds totalling \$85.7 million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk. The Fund has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

Allowances for impairment of financial assets are calculated on past experiences and expected changes in client credit rating. Currently the Fund does not hold any collateral as security for any of its financial assets. There are no Financial Assets administered by the Fund past due.

(c) *Liquidity Risk*

Financial liabilities principally represent security bonds held on behalf of third parties. Security bonds are payable on receipt of an application from the tenant or lessee. All investments held with the Public Trustee are available at call.

(d) *Market Risk*

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Investments held with the Public Trustee are classified as 'available for sale' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised directly in equity. Accordingly there is no impact on the net result.

Cash is also subject to interest rate risk.

Sensitivity Analysis

The impact of a one percent movement in interest rates and a one percent movement in equity indexes on financial assets is shown in the following table.

	Carrying Amount	Interest Rate Risk		Price Risk	
		-1% Net Result	+1% Net Result	-1% Equity	+1% Equity
2008	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash and cash equivalents	12 382	(123.8)	123.8	-	-
Investments	85 682	-	-	(856.8)	856.8
Total Increase (Decrease)		(123.8)	123.8	(856.8)	856.8
2007					
Financial Assets:					
Cash and cash equivalents	14 638	(146.4)	146.4	-	-
Investments	69 497	-	-	(695.0)	695.0
Total Increase (Decrease)		(146.4)	146.4	(695.0)	695.0

16. Transactions with SA Government

As required by APS 4.1 of APF II, the following table discloses income, expenses and financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items has been applied.

16. Transactions with SA Government (continued)

	SA Government	
	2008	2007
	\$'000	\$'000
Income:		
Interest revenue	8 063	6 433
Management fee recovery	210	167
Total Income	8 273	6 600
Expenses:		
Staffing costs	3 521	3 205
Accommodation	375	555
Total Expenses	3 896	3 760
Financial Assets:		
Cash and cash equivalents	12 382	14 638
Accrued interest	230	412
Investments	85 682	69 497
Total Financial Assets	98 294	84 547
Financial Liabilities:		
Creditors	2 499	1 497
Total Financial Liabilities	2 499	1 497

PUBLIC TRUSTEE

FUNCTIONAL RESPONSIBILITY

Establishment

The Public Trustee is a body corporate established pursuant to the provisions of the *Public Trustee Act 1995*.

Functions

The powers and functions of the Public Trustee are established by the *Public Trustee Act 1995*. The Public Trustee administers the estates of deceased and protected people which requires the management of assets, preparation of wills, investment of funds and provision of legal representation and advice. For information about the Public Trustee's objectives refer to Note 1 of the Corporate financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 50 of the *Public Trustee Act 1995* provide for the Auditor-General to audit the accounts of the Public Trustee for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- treasury operations
- revenue
- financial accounting
- corporate governance
- expenditure
- payroll
- cash at bank
- plant and equipment

The audit covered the Corporate, Trusts and Common Funds areas of the Public Trustee operations.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Public Trustee as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Public Trustee in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the Trust Operations, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Public Trustee have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Public Trustee. The following summarises the matters raised and the responses received from the Public Trustee.

Financial Management and Control

Corporate Operations

Audit raised a number of matters including the need for the timely completion of reconciliations and improvements to segregation of duties for some expenditure processing functions. Public Trustee's response to the matters raised was considered satisfactory.

Trust Operations

Audit review identified a number of matters in relation to the Trust Operations. The main matters raised with the Public Trustee were:

- instances where the internal control reports presented to the Audit Committee did not accurately reflect the underlying data
- a number of life tenant properties which were not directly covered by their own insurance policy
- a number of instances where properties which had been assessed as requiring regular inspection had not been inspected in line with the programmed inspection timetable.

The Public Trustee responded to each of these matters:

- The instances identified in which internal control reports were inaccurate represented instances where the supporting statistical information used by staff had not been correctly maintained and did not reflect the underlying data. Public Trustee advised that staff turnover in key positions during the year contributed to the situation and that this matter has been addressed through staff training.
- Client properties not directly covered by insurance are captured by a Corporate 'blanket' insurance policy, which provides for coverage of 'uninsured' properties. The Public Trustee identified that there will be a change in business processes in order to seek specific direction on insurance of client property, particularly where a life tenancy exists, in order to have a specific insurance policy in place for each property.
- Delays in undertaking inspections of client properties have occurred during 2007-08 following the resignation of the previous full-time property inspector. The Public Trustee is now reviewing this function and the inspections process currently in place. In the interim period while the review is undertaken, contractors have been engaged to undertake inspections as required. Senior officers are currently identifying those inspections which they believe need to be undertaken immediately, while others have been identified as less critical and will await the finalisation of the review.

Information and Communications Technology (ICT) Management and Control

Information Technology (IT) Organisation and Architecture

In July 2007, the Public Trustee commissioned an 'IT Architecture Project' review which was undertaken by an external consultant. The review examined aspects of technology, resources, processes and governance.

The main findings of the review related to the following matters:

- There was a lack of strategic focus within IT activities evidenced by the absence of a formalised ICT Strategy document.
- ICT policies and methodologies tended to be out of date or limited in scope.
- There existed a lack of consistency in production information technologies for network management, application, database and operating systems software and hardware, many of which were older versions which had not been updated for a number of years.
- Third party services contract and performance management were not formally carried out.
- There was limited business continuity planning and disaster recovery planning.

These and other matters were followed up by Audit during the year. Certain actions had been undertaken, notably:

- a Public Trustee IT Governance Forum had been established during 2008
- an ICT Strategic Plan was in draft but deferred until the finalisation of an organisational Strategic Plan
- an assessment report evaluated the issues and opportunities for future software upgrades of the Public Trustee's Core Business Information System (CBIS).

Key matters from the audit review raised with the Public Trustee were:

- an annual ICT operational plan be developed by Public Trustee in line with the SA Government mandated ICT Planning Framework to support the ICT Strategic Plan
- a formal project plan be established for the activities of a specialised CBIS project team designed to address business improvements for CBIS
- a follow up review of the IT Architecture Project review be established and implemented to ensure overall corrective actions are being progressed adequately, for instance, the finalisation of the ICT Strategic Plan and completion of the business continuity and disaster recovery plans.

The Public Trustee responded that it is transitioning to a more mature ICT strategic and planning framework, indicating that the IT Governance Forum has the principal role in the planning and delivery of IT services and in the process of currently updating IT policies, procedures and drafting its annual ICT operational plan.

For CBIS the response advised that the IT Governance Forum had prioritised functionality improvements to the system and these had been approved for actioning by the Public Trustee.

Lastly the Public Trustee's response indicated the likelihood of a follow-up review of the IT Architecture Project review in December 2008 or thereafter.

Operation of Electronic Funds Transfer Facility

The audit review also considered aspects of the use of electronic funds transfer (EFT) facilities within Public Trustee. The types of transactions using EFT include:

- recurring payments to clients
- periodic payments to vendors against vouchers and invoices presented on behalf of clients
- special payments to clients
- telegraphic transfers to overseas client accounts or intermediary bank accounts.

It was recommended that Public Trustee review the circumstances and practice of modification to the EFT file to consider alternative practices or modifications to systems to eliminate the need for manual alteration of the EFT file.

The Public Trustee responded that this matter is being assessed within the context of improving on existing controls, involving considerations of data encryption.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
INCOME			
Revenue from fees and charges	18.4	18.3	1
Other revenues	(0.3)	2.4	(113)
Total Income	18.1	20.7	(13)
EXPENSES			
Employee benefit expenses	11.2	9.7	15
Supplies and services	5.0	4.6	9
Other expenses	0.8	1.5	(47)
Total Expenses	17.0	15.8	8
Profit Before Tax	1.1	4.9	(78)
Income tax equivalent expense	(0.3)	(1.5)	(80)
Profit After Tax	0.8	3.4	(76)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2.3	5.8	(60)
ASSETS			
Current assets	7.3	11.0	(34)
Non-current assets	18.3	16.5	11
Total Assets	25.6	27.5	(7)
LIABILITIES			
Current liabilities	2.6	5.1	(49)
Non-current liabilities	2.8	2.4	17
Total Liabilities	5.4	7.5	(28)
EQUITY	20.2	20.0	1

Income Statement

Income

The Public Trustee's main source of income is revenues from fees and charges comprising commissions, fees and charges for the management of trusts and related investments. The commissions and fees charged reflect the number and value of trusts managed throughout the year. Commissions, fees and charges remained consistent with 2006-07, in line with the consistency of the value of funds under administration between the two years.

Other revenues decreased by \$3.1 million principally as a result of the decrease in the market value of some investments held by the Public Trustee.

Expenses

Employee benefit expenses account for the majority of expenses of the Public Trustee. In 2007-08 employee benefits costs increased by \$1.5 million to \$11.2 million.

In 2006-07 an organisational review was undertaken which resulted in:

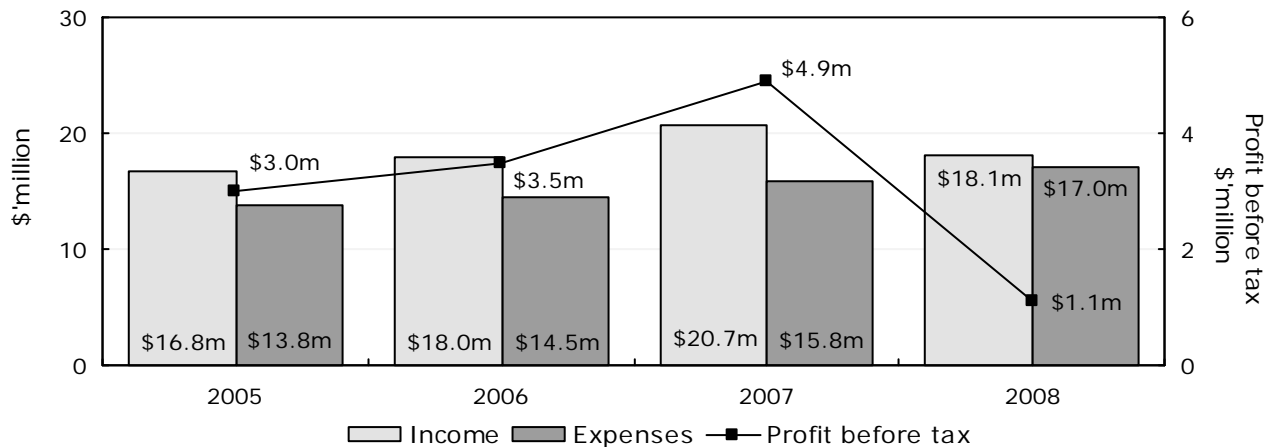
- additional positions being created
- staff being re-classified to higher classifications.

The full year effect of these re-classifications and the effect of additional employees taking up new positions created is shown in the increase for the current year. In addition an increase to the Enterprise Agreement rates also contributed to salary and wage increases.

Supplies and services increased in 2007-08 by \$434 000, primarily as a result of increases in rental expenditure associated with leasing the building which was formerly owned by Public Trustee.

Net Result

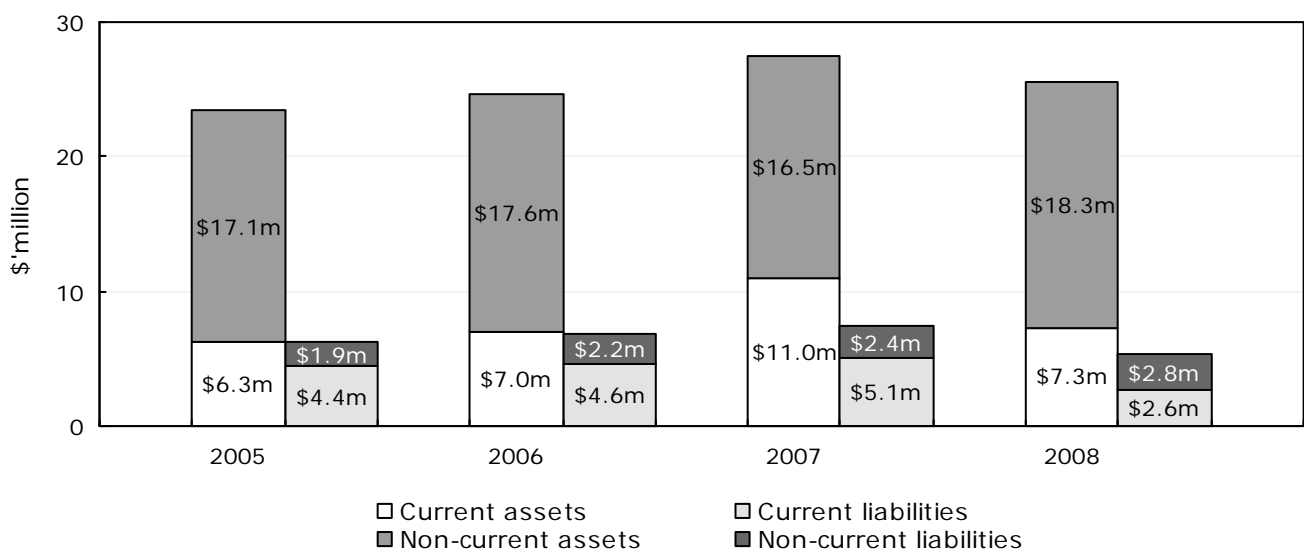
The following chart shows the revenues, expenses and surpluses for the four years to 2008.



The decrease in profit before tax is principally attributable to the decrease in market value of some of the investments held by the Public Trustee, and the increase in employee benefit costs.

Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



The decrease in current assets for 2007-08 compared to 2006-07 is the result of excess cash being invested in longer-term financial assets. Current liabilities have decreased in 2007-08 mainly as a result of a decreased provision for dividends and income tax equivalent payable.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operating Activities	2.3	5.8	3.2	4.9
Investing Activities	(4.8)	(0.6)	(1.6)	(1.5)
Financing Activities	(1.3)	(2.1)	(1.2)	(1.4)
Change in Cash	(3.8)	3.1	0.4	2.0
Cash at 30 June	5.0	8.8	5.7	5.3

The decrease in cash for 2008 reflects the combined effects of increased cash payments for supplies and services and employee benefits and the movement of excess cash to investments.

INTERPRETATION AND ANALYSIS OF STATEMENT OF TRUSTS BEING ADMINISTERED

The value of trust funds administered by the Public Trustee as at 30 June 2008 was \$1.005 billion (\$1.025 billion).

The trust funds reflecting significant variation are:

- Deceased estates – increase of \$8.1 million (5 percent)
- Trusts – decrease of \$19.7 million (16 percent)
- Administration matters – increase of \$12.4 million (64 percent)
- Court award orders – decrease of \$24.1 million (8 percent)

Note 3 to the Statement of Trusts being Administered provides details of the number and value of trust funds under Administration.

Of the total funds being administered, 70 percent (73 percent) were invested in the common funds with the remaining 30 percent (27 percent) represented by estate assets.

INTERPRETATION AND ANALYSIS OF THE COMMON FUNDS

The Cash, Short-Term Fixed Interest, Long-Term Fixed Interest and Overseas Fixed Interest Common Funds made a profit for the year. The Australian Shares, Overseas Shares and Listed Property Securities Common Funds made losses. The losses for these three funds are attributable to the decrease in the market valuation of their investments, which were revalued in accordance with current market prices.

The Common Funds are invested in the following securities:

- Short-Term Fixed Interest
- Long-Term Fixed Interest
- Overseas Fixed Interest
- Australian Shares
- International Shares
- Listed Property Securities
- Cash

The following table summarises for each Common Fund the annual net operating result and the value of assets held at 30 June 2008 and 30 June 2007.

Common Fund	Net Operating Result		Assets	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash	18 980	14 192	350 240*	319 447*
Short-Term Fixed Interest	3 109	2 104	47 799	47 371
Long-Term Fixed Interest	4 633	2 688	80 886	87 865
Overseas Fixed Interest	1 763	(287)	32 307	34 308
Australian Shares	(19 214)	42 214	133 640	161 042
Overseas Shares	(22 772)	8 071	92 805	112 745
Listed Property Securities	(13 879)	9 500	34 441	43 104

* Includes funds of \$68.9 million (\$46.7 million) deposited by other Common Funds.

CORPORATE STATEMENTS

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INCOME:			
Revenues from fees and charges	4.1	18 432	18 257
Interest revenues	4.2	1 044	745
Other revenues	4.3	(1 401)	1 734
Total Income		18 075	20 736
EXPENSES:			
Employee benefit expenses	5.1,5.2,5.3,5.4	11 185	9 720
Supplies and services	5.5,5.6,5.7	5 045	4 611
Loss from the disposal of assets	9a	-	102
Depreciation and amortisation		725	1 410
Total Expenses		16 955	15 843
PROFIT BEFORE INCOME TAX EQUIVALENTS		1 120	4 893
Income tax equivalent expense	2.3	336	1 468
NET PROFIT AFTER INCOME TAX EQUIVALENTS		784	3 425

Net profit after income tax equivalents is attributable to SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008	2007
		\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	4 958	8 819
Receivables	6	2 338	2 173
Total Current Assets		7 296	10 992
NON-CURRENT ASSETS:			
Financial assets at fair value through the profit and loss	7,8	17 552	15 385
Property, plant and equipment	9	415	207
Intangible assets	10	332	870
Total Non-Current Assets		18 299	16 462
Total Assets		25 595	27 454
CURRENT LIABILITIES:			
Payables	11	944	2 820
Short-term and long-term employee benefits	12	1 081	976
Short-term provisions	13	541	1 290
Total Current Liabilities		2 566	5 086
NON-CURRENT LIABILITIES:			
Payables	11	270	235
Long-term employee benefits	12	2 533	2 150
Total Non-Current Liabilities		2 803	2 385
Total Liabilities		5 369	7 471
NET ASSETS		20 226	19 983
EQUITY:			
Reserves	15	8 149	8 224
Retained earnings	18	12 077	11 759
TOTAL EQUITY		20 226	19 983
Contingent assets and liabilities	14		
Commitments	19		

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity for the year ended 30 June 2008

	Note	Asset		Retained Earnings	Total
		Revaluation Reserves	Other Reserves		
		\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2006		6 581	770	10 497	17 848
Sale of land and building during 2006-07		(6 581)	-	6 581	-
Transfer of funds to building replacement reserve		-	7 600	(7 600)	-
Payments from other reserves 2006-07	15	-	(146)	146	-
Net Income (Expense) recognised directly in Equity for 2006-07		(6 581)	7 454	(873)	-
Profit after income tax equivalent for 2006-07		-	-	3 425	3 425
Total recognised Income and Expense for 2006-07		(6 581)	7 454	2 552	3 425
Transactions with SA Government as equity holder					
Dividend provided for		-	-	(1 290)	(1 290)
		(6 581)	7 454	1 262	2 135
Balance as at 30 June 2007		-	8 224	11 759	19 983
Payments from other reserves 2007-08	15	-	(75)	75	-
Net Income (Expense) recognised directly in Equity for 2007-08		-	(75)	75	-
Profit after income tax equivalent for 2007-08		-	-	784	784
Total recognised Income and Expense for 2007-08		-	(75)	859	784
Transactions with SA Government as equity holder					
Dividend provided for		-	-	(541)	(541)
		-	(75)	318	243
Total Equity as at 30 June 2008		-	8 149	12 077	20 226

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Fees and charges received		18 405	18 087
Rent and sundry income received		138	752
Interest received		976	710
Distributions received		1 117	446
GST receipts on receivables		1 856	2 663
Cash generated from Operations		22 492	22 658
CASH OUTFLOWS:			
Employee benefit payments		(10 630)	(9 431)
Supplies and services		(5 300)	(4 473)
Tax equivalents paid		(1 673)	(1 135)
GST payments on purchases		(561)	(479)
GST remitted to ATO		(2 059)	(1 370)
Cash used in Operations		(20 223)	(16 888)
Net Cash provided by Operating Activities	16	2 269	5 770
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sales/maturities of investments		1 000	-
Proceeds from sale of fixed assets		-	7 600
Cash generated from Investing Activities		1 000	7 600
CASH OUTFLOWS:			
Payment of investments		(5 445)	(7 900)
Purchase of property, plant and equipment		(335)	(112)
Purchase of intangibles		(60)	(134)
Cash used in Investing Activities		(5 840)	(8 146)
Net Cash used in Investing Activities		(4 840)	(546)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Dividend distribution to State Government		(1 290)	(2 100)
Net Cash used in Financing Activities		(1 290)	(2 100)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		(3 861)	3 124
CASH AND CASH EQUIVALENTS AT 1 JULY		8 819	5 695
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	4 958	8 819

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Public Trustee

The office of the Public Trustee was established in 1881 and is constituted under the provisions of the *Public Trustee Act 1995*. The Public Trustee is a statutory officer pursuant to the *Public Trustee Act 1995*. Public Trustee is a body corporate with the powers of a natural person.

The role of the Public Trustee is to provide all South Australians with access to will making services, powers of attorney preparation, and deceased estate and trust administration. The Public Trustee also has a role in managing the financial affairs of those people in the community who lack the capacity to manage their own affairs as determined by the courts, the Guardianship Board or through activation of powers of attorney.

2. Statement of Principal Accounting Policies

The Corporate Statements present the financial performance, financial position and cash flows of Public Trustee as at 30 June 2008 together with the supporting Notes.

The accompanying Statement of Trusts being administered, Common Funds Statements and notes thereto present the financial position of Trusts and Common Funds under management as at 30 June 2008 and the results of the Common Funds operations and cash flows for the year then ended.

2.1 Basis of Accounting

The corporate financial statements are a general purpose financial report and have been prepared in accordance with TIs and APSs issued pursuant to the provisions of the PFAA, and AASs.

Statement of Compliance

AASs include AIFRS and AAS 29.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Public Trustee's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - b) expenses incurred as a result of engaging consultants
 - c) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Public Trustee Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable. The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

2.2 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable. The restated comparative amounts do not replace the original financial report for the preceding period.

2.3 Taxation

The *Public Trustee Act 1995*, through the provisions of sections 47 and 48, provides for the payment to Government of taxation equivalents and dividends. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit. The income tax equivalent expense is \$336 000 (\$1 468 000).

Public Trustee is liable for payroll tax, FBT, GST, emergency services levy, land tax equivalents and local government rate equivalents.

2.4 Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

2.5 Basis of Valuation

Non-current assets and liabilities with the exception of Plant and Equipment are carried at fair value.

Property

Property is brought to account at independent valuation, less, where applicable, any accumulated depreciation or amortisation.

Plant and Equipment

Plant and equipment are brought to account at cost or at independent valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amounts from these assets. A revaluation of Non-Current Assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amount. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. The acquisition of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of expenditure is greater than or equal to \$5000 (\$2000). Software is measured at cost unless the asset is acquired for no cost or for a nominal amount and then the asset's fair value is deemed to be cost. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

Any revaluation increment for property, intangible assets, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. Any revaluation decrease is recognised in the Income Statement, except to the extent that it reverses a revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in revaluation reserve for that class of asset.

Property, intangible assets, plant and equipment excluding land are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as property, plant and equipment.

The depreciation/amortisation rates used for each class of depreciable assets are:

Class of Fixed Assets

	<i>Depreciation Rate (Percent)</i>
Building	2.17
Machines and equipment	20-27
Software	20-27
Office furniture and fittings	33.33

Financial Instruments

Financial instruments are carried at fair value determined as below:

Cash and cash equivalents: Are valued at nominal amounts. This asset consists of cash at bank, on hand and short term money market deposits with maturities of three months or less that is readily converted to cash and which are subject to insignificant risk of changes in value.

Investments: On acquisition are brought to account at cost and subsequently revalued at the balance date to fair value. Fixed Interest Investments are classified as held at fair value through the profit and loss and valued at market value based on independently obtained market yields applying at the balance date. Australian and International equities are currently held in pooled funds and are valued at the redemption prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Financial Instruments - Recognition

Public Trustee recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Financial Instruments – Measurement

Financial assets and liabilities held at fair value through the profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit and loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Income Statement.

- *Fair Value in an Active Market*
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.
- *Fair Value of Unlisted Unit Trusts*
Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

Financial Instruments – Classification

Investments in financial assets such as equities and units in unlisted schemes have been classified as 'Fair value through the profit and loss' and recognised in the Balance Sheet at fair value, with changes in fair value during the period recognised in the Income Statement.

If any indication of impairment exists, an impairment loss is recognised in the Income Statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Income Statement.

Other Non-Current Assets: Are valued at market value based on the present value of expected future cash flows.

Receivables and Payables: Are valued on a historical cost basis and it is considered that carrying value approximates market value.

Distributions from trust investments are recognised on a present entitlement basis.

2.6 Rounding

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

2.7 Income and Expenses

Income and expense are recognised in Public Trustee's Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amounts. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

2.8 Employee Benefits

Provision has been made in the financial statements, where stated, for Public Trustee's liability for employee benefits arising from services rendered by employees to balance date that remain unpaid. Related on-costs consequential to the employment of employees (viz payroll tax and superannuation contributions) have been included under 'payables' (refer Note 11).

Salaries and Wages

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

Superannuation

Public Trustee makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payment to beneficiaries as the South Australian Superannuation Board has assumed this. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Annual Leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates plus 4.5 percent inflation rate as recommended in Treasury APF IV, APSs 5.4 and 5.5.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability is measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with Public Trustee's experience of employee retention and leave taken. The liability has been calculated at nominal amounts based on current salary rates. Treasury APF IV APS 5.10 has recommended that a benchmark of 6.5 years (6.5 years) can be used for a shorthand estimation of long service leave liability. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick Leave

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

2.9 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. Public Trustee has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Public Trustee has entered into operating leases.

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

2.10 Insurance

Public Trustee has insured for risks through the State Government's insurers, South Australian Government Financing Authority (SAFA), SAICORP Division. The excess payable under this arrangement varies depending on each class of insurance held.

2.11 Current and Non-Current Items

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

2.12 Receivables

Receivables comprise debtors, accrued investment income and prepayments. Debtors arise in the normal course of selling goods and services to the public and other agencies. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement.

2.13 Payables

Payables include creditors, accrued expenses, employment on-costs, income tax equivalents and GST (refer Note 2.15).

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days after Public Trustee receives an invoice.

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

2.14 Government/Non-Government Disclosures

Public Trustee has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in Notes to the accounts.

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

2.15 Accounting for the GST

In accordance with the requirements of Interpretation 1031, revenues, expenses and assets are recognised net of the amount of GST except that:

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

2.15 Accounting for the GST (continued)

The net GST payable to the ATO has been recognised as a payable in the Balance Sheet.

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the ATO have however been classified as operating cash flows.

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

2.16 Segment Reporting

Segment reporting has been deemed not appropriate for Public Trustee, as assets, liabilities, income and expenses attributable to the segments cannot be reliably determined.

2.17 Impairment

All assets are assessed annually for evidence of impairment at reporting date, where there is an indication of impairment, the recoverable amount is estimated. Any amount by which the carrying amount exceeds the recoverable amount is recorded as an impairment loss.

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Public Trustee for the reporting period ending 30 June 2008. Public Trustee has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report.

4. Income

	2008	2007
	\$'000	\$'000
4.1 Revenues from fees and charges comprise:		
Revenue from Entities external to the SA Government:		
Commissions ⁽¹⁾	9 559	9 878
Fees and charges ⁽¹⁾	1 751	1 589
Management fees ⁽²⁾	7 122	6 790
Total Fees and Charges	18 432	18 257

(1) Commissions and fees are charged against estates pursuant to section 45 of the *Public Trustee Act 1995*.

(2) A management fee is charged against common funds at the rate of one-twelfth of one percent of the value of each fund as at the first business day of the month.

4.2 Interest revenues comprise:	2008	2007
Revenue from Entities external to the SA Government:	\$'000	\$'000
Interest on fixed term investments	846	455
Total Revenue - Non-SA Government Entities	846	455
Revenue from Entities within the SA Government:		
Interest on operating and reserve accounts	198	290
Total Revenue - SA Government Entities	198	290
Total Interest Revenue	1 044	745

4.3 Other income comprises:		
Revenue from Entities external to the SA Government:		
Sundry Income	25	48
Distributions from Trusts	691	1 124
Realised loss on investments	(2)	-
Unrealised loss on investments	(2 275)	(161)
Total Revenue - Non-SA Government Entities	(1 561)	1 011
Revenue from Entities within the SA Government:		
Rent and other building income	160	723
Total Revenue - SA Government Entities	160	723
Total Other Revenue	(1 401)	1 734

5. Expenditure

5.1 Superannuation

During 2007-08 Public Trustee paid an amount of \$1 045 000 (\$909 000) to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

5.2 Remuneration of Employees	2008	2007
The number of employees whose remuneration received or receivable fell within the following bands was:	Number of Employees	Number of Employees
\$100 001 - \$110 000	1	1
\$110 001 - \$120 000	2	2
\$120 001 - \$130 000	1	-
\$130 001 - \$140 000	-	2
\$140 001 - \$150 000	1	-
\$160 001 - \$170 000	2	-
\$190 001 - \$200 000	-	1
Total	7	6

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was \$920 000 (\$795 000).

5.3 TVSPs

No employees were paid TVSPs during the 2007-08 or 2006-07 periods.

5.4 Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Public Trustee Audit and Risk Committee

Mr Michael Barrett of Finlaysons

Mr Peter Whelan of PKF Chartered Accountants

The number of members whose remuneration received or receivable fell within the following bands was:	2008	2007
\$0 - \$9 999	Number of Members	Number of Members
	2	2
Total	2	2

The total remuneration received or receivable by members was \$6152 (\$1760).

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

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

5.5 Supplies and Services

Supplies and Services provided by Entities external to the SA Government:	2008	2007
Supplies and services	\$'000	\$'000
Building and accommodation expenses	2 462	2 392
	169	442
Total Supplies and Services Non-SA Government Entities	2 631	2 834

Supplies and Services provided by Entities within the SA Government:		
Insurance	152	179
Computing and communication services	475	519
Service contractors	802	648
Accommodation expenses	700	-
Other supplies and services	120	172
Total Supplies and Services SA Government Entities	2 249	1 518

5.6 Auditor's Remuneration

Amounts paid to auditors during the year for auditing the accounts	148	148
--	------------	-----

5.7 Payments to Consultants

Below \$10 000: 2 (3) consultancies	7	21
Between \$10 000 and \$50 000: 1 (2) consultancies	10	90
	17	111
Total Supplies and Services	5 045	4 611

6. Receivables

Current Receivables:		
Debtors	1 024	935
Accrued investment income	788	1 146
Income tax equivalent refund due	398	-
Prepayments	128	92
	2 338	2 173

6. Receivables (continued)		2008	2007
	<i>Government/Non-Government Receivables</i>	\$'000	\$'000
	Receivables from SA Government Entities:		
	Debtors	90	43
	Accrued investment income	11	15
	Income tax equivalent refund due	398	-
	Total Receivables from SA Government Entities	499	58
	Receivables from Non-SA Government Entities:		
	Debtors	934	892
	Accrued investment income	777	1 131
	Prepayments	128	92
	Total Receivables from Non-SA Government Entities	1 839	2 115
	Total Receivables	2 338	2 173

7. Investments

Public Trustee is required pursuant to subsection 46(2)(c) of the *Public Trustee Act 1995* to obtain the Treasurer's approval as to the manner of investment of corporate funds.

Non-Current Assets:

Non-Current investments with entities other than SAFA:

Australian fixed interest	3 927	1 002
Australian fixed interest (pooled funds)	6 643	6 407
International equities (pooled funds)	2 681	2 895
Australian listed property (pooled funds)	666	992
Australian equities (pooled funds)	3 635	4 089
Long-Term Investments	17 552	15 385

8. Financial Instruments

8.1 Fair Value of Financial Assets and Liabilities

Financial instruments are carried at fair value based upon the valuation policies set out in Note 2.5. The aggregate carrying amounts for each class of financial instrument are as disclosed within the Notes to the financial statements.

Investments in Australian Fixed Interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in Note 7.

Other classes of financial instruments are not readily traded on organised markets in standardised form.

8.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest risk and currency risk. The Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.

8.3 Financial Risk Management

Public Trustee's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Public Trustee. Only Australian domiciled pooled funds are used for overseas asset purchases, thus the funds are not exposed to currency risk.

Management of risk is focused on both strategic and business process risk. Annually, an analysis of strategic risk is undertaken which is comprehensive and covers investment, financial, operational and administrative responsibilities of Public Trustee. Business processes are documented, key risks are identified and management strategies used to control these risks are put in place.

8.4 Market Risk

Price Risk

Public Trustee is exposed to equity securities price risk. This arises from investments held by Public Trustee and classified on the Balance Sheet as financial assets at fair value through the profit and loss. Public Trustee is not exposed to commodity price risk, as the classes of investments include Australian shares, International shares and listed properties.

To manage its price risk arising from investments in equity securities, Public Trustee diversifies its portfolio. Diversification of the portfolio is done in accordance with the Investment Guidelines. The Corporate Investment Committee assists Public Trustee in ensuring a sound, efficient and prudent system of investment of corporate funds is in place.

The analysis detailed below is based on the assumption that the equity indexes had increased/decreased by a set percentage with all other variables held constant and all equity instruments moving according to the historical correlation with the index.

Cash Flow and Interest Rate Risk

Public Trustee's interest rate risk arises from cash investments, short term investments and Australian fixed interest investments. Instruments issued at fixed interest rates expose Public Trustee to fair value interest rate risk and variable rate instruments expose Public Trustee to cash flow interest rate risk. Public Trustee invest in short-term money market instruments with maturities less than one year and with credit ratings that satisfy the credit ratings of Public Trustee's cash common fund.

A sensitivity analysis is provided below, outlining the exposure to each type of market risk at reporting date, showing how profit or loss would be affected by the changes in the relevant risk variable that were reasonably possible at that date. All instruments are designated as financial assets at fair value through the profit and loss; therefore there is no impact on equity.

Sensitivity Analysis - 30 June 2008

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Income Statement \$'000	+1% Income Statement \$'000	-20% Income Statement \$'000	+10% Income Statement \$'000
Financial Assets:					
Cash and cash equivalents	4 958	(50)	50	-	-
Financial assets at fair value through profit and loss:					
Australian fixed interest	3 927	(39)	39	-	-
Australian fixed interest (pooled funds)	6 643	(66)	66	-	-
International equities (pooled funds)	2 681	-	-	(536)	268
Australian listed property (pooled funds)	666	-	-	(133)	67
Australian equities (pooled funds)	3 635	-	-	(727)	364
Total Increase (Decrease)		(155)	155	(1 396)	699

Sensitivity Analysis - 30 June 2007

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Income Statement \$'000	+1% Income Statement \$'000	-10% Income Statement \$'000	+20% Income Statement \$'000
Financial Assets:					
Cash and cash equivalents	8 819	(88)	88	-	-
Financial assets at fair value through profit and loss:					
Australian fixed interest	1 002	(10)	10	-	-
Australian fixed interest (pooled funds)	6 407	(64)	64	-	-
International equities (pooled funds)	2 895	-	-	(290)	579
Australian listed property (pooled funds)	992	-	-	(99)	198
Australian equities (pooled funds)	4 089	-	-	(409)	818
Total Increase (Decrease)		(162)	162	(798)	1 595

8.5 Credit Risk

Credit risk is managed at the corporate level. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions. Public Trustee has no direct exposure to derivative instruments, thus credit risk arises primarily through investments with banking corporations.

Short-term money market instruments must have a short-term Standard & Poor's rating of A1 or in the case of the issuer being a bank under the *Banking Act 1959* a rating of A2 is accepted. Floating rate instruments must have a long-term Standard & Poor's credit rating of A+ or better or where the counterparty is a bank under the *Banking Act 1959* a rating of BBB or better is accepted.

If there is no independent rating, Public Trustee assesses the credit quality of the customer, taking into account its financial position and past experience. Pooled investment funds are not rated; however, Public Trustee has made a thorough assessment of all pooled funds managers in regard to credit and other risks prior to investing funds with each manager. The credit risk lies with the pooled fund manager responsible for the management of the underlying investments. Public Trustee continually monitors these assessments via the quarterly Corporate Investment Committee forum.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

8.5 Credit Risk (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Public Trustee has no direct exposure to derivative instruments.

	2008	2007
	\$'000	\$'000
Cash at Bank and Short-Term Bank Deposits:		
A1+	4 958	8 819
Total Cash at Bank and Short-Term Bank Deposits	4 958	8 819
Long-Term Bank Deposits:		
AA-	-	1 002
A-	1 977	-
BBB+	1 950	-
Total Long-Term Bank Deposits	3 927	1 002
Trade Receivables:		
Counterparties With External Ratings:		
A1+	50	42
A	41	-
BBB+	12	-
Counterparties Without External Ratings:		
Existing customers with no defaults in the past	1 837	2 131
Total Trade Receivables	1 940	2 173

8.6 Liquidity Risk

Public Trustee has working capital policies in place in order to maintain liquidity. Short-term investment analysis assists in determining the amount, if any, to be invested or reinvested in order to maintain working capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Public Trustee manage the liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

8.7 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other financial instruments are non-interest bearing.

	Weighted Average		Instruments Maturing or Re-pricing Within					
	Interest Rate		1 Year or Less		1-5 Years		Over 5 Years	
	2008	2007	2008	2007	2008	2007	2008	2007
	Percent	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	6.59	5.89	2 158	3 519	-	-	-	-
Short-term investments	8.27	6.45	2 800	5 300	-	-	-	-
Australian fixed interest	8.16	7.21	1 977	-	1 950	1 002	-	-
			6 935	8 819	1 950	1 002	-	-

9. Property, Plant and Equipment

	Opening Balance		Transfers	Depreciation	Revaluation	Closing Balance
	01.07.07	Additions	\$'000	\$'000	\$'000	30.06.08
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and Equipment:						
Machines and equipment at cost	1 450	40	-	-	-	1 490
Furniture and fittings at cost	1 663	230	-	-	-	1 893
Work in progress at cost	9	65	-	-	-	74
Total Plant and Equipment	3 122	335	-	-	-	3 457
Less: Accumulated Depreciation						
Plant and Equipment:						
Machines and equipment	(1 266)	-	-	(82)	-	(1 348)
Furniture and fittings	(1 649)	-	-	(45)	-	(1 694)
Total Accumulated Depreciation	(2 915)	-	-	(127)	-	(3 042)
Net Property, Plant and Equipment	207	335	-	(127)	-	415

	2008	2007
	\$'000	\$'000
(a) <i>Net Gain (Loss) from Disposal of Assets</i>		
Land and Building:		
Proceeds from disposal ⁽¹⁾	-	7 600
Less: Net book value of assets disposed	-	7 702
Net Loss on Disposal of Land and Building	-	(102)

(1) The Public Trustee building was sold during the 2006-07 financial year.

10. Intangible Assets	Opening	Additions	Transfers	Amortis- ation	Revalu- ation	Closing
	Balance 01.07.07					Balance 30.06.08
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Software at cost	7 364	22	126	-	-	7 512
Work in progress at cost	126	38	(126)	-	-	38
Less: Accumulated amortisation	6 620	-	-	598	-	7 218
Total Intangible Assets	870	60	-	(598)	-	332

Work in progress items are transferred to intangible assets when ready for use.

11. Payables	Note	2008	2007
		\$'000	\$'000
Current Liabilities:			
Trade creditors		382	582
GST payable		329	1 092
Employment on-costs		233	207
Income tax equivalent due		-	939
		944	2 820
Non-Current Liabilities:			
On-costs on employee benefits		270	235
Government/Non-Government Payables			
Payables to SA Government Entities:			
Creditors		100	222
Income tax equivalent due		-	939
Total Payable to SA Government Entities		100	1 161
Payables to Non-SA Government Entities:			
Trade creditors		282	360
GST		329	1 092
On-costs on employee benefits		503	442
Total Payable to Non-SA Government Entities ⁽¹⁾		1 114	1 894
Total Payables		1 214	3 055

(1) The total includes payables to SA Government entities where the amount payable to the SA Government entity was less than \$100 000.

12. Employee Benefits			
12.1 Employee Benefits			
Current Liabilities:			
Long service leave		176	180
Accrued salaries		204	164
Accrued recreation leave		701	632
		1 081	976
Non-Current Liabilities:			
Long service leave		2 533	2 150
		2 533	2 150
12.2 Employee Benefits and Related On-Cost Liabilities			
Current:			
On-costs included in payables	11	233	207
Provision for employee benefits	12.1	1 081	976
		1 314	1 183
Non-Current:			
On-costs included in payables	11	270	235
Provision for employee benefits	12.1	2 533	2 150
		2 803	2 385
Aggregate Employee Benefits and Related On-Cost Liabilities		4 117	3 568
13. Provisions			
13.1 Dividend			
Current Liabilities:			
Provision for Dividend to State Government at 1 July		1 290	2 100
Add: Additional provision recognised		541	1 290
Less: Payments to State Government		1 290	2 100
Provision for Dividend at 30 June		541	1 290
14. Contingencies			
Public Trustee had no contingent assets or liabilities as at balance date.			

15. Other Reserves	Deficits & Losses Reserve \$'000	Workers Compensation Reserve \$'000	Building Replacement Reserve \$'000	Total Other Reserves \$'000
Balance as at 30 June 2006	485	285	-	770
Transfers from retained earnings	-	-	7 600	7 600
Payments from reserves	(146)	-	-	(146)
Balance as at 30 June 2007	339	285	7 600	8 224
Payments from reserves	(75)	(103)	-	(178)
Transfers from retained earnings	-	103	-	103
Total Other Reserves	264	285	7 600	8 149

The Reserve for Deficits and Other Losses was created to cover losses made during the administration of estates. Payments amounting to \$95 000 (\$229 000) were made from this reserve and recoupment of previous years' payments amounting to \$20 000 (\$83 000) were made to the reserve.

Public Trustee established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met from the Government Workers Rehabilitation and Compensation Fund. Payments amounting to \$103 000 (\$nil) were made from the reserve.

16. Cash Flow Reconciliation	2008 \$'000	2007 \$'000
Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax Equivalent		
Net profit after income tax equivalent	784	3 425
<i>Add (Less): Non-cash items:</i>		
Depreciation and amortisation expense	725	1 410
Loss on sale of equipment	-	102
Unrealised loss on revaluation of investments	2 276	161
Realised loss on sale of equities	2	-
<i>Change in assets and liabilities:</i>		
(Increase) Decrease in receivables	233	(872)
(Decrease) Increase in sundry creditors	(201)	113
Increase in employee benefits and on-costs	549	284
(Decrease) Increase in provision for income tax	(1 336)	333
(Decrease) Increase in GST liability	(763)	814
Net Cash provided by Operating Activities	2 269	5 770

17. Reconciliation of Cash and Cash Equivalents
For the purpose of the Cash Flow Statement, cash comprises the Balance Sheet item of cash and cash equivalents.

Cash and Cash Equivalents:		
Cash	2 158	3 519
Short-term financial assets held to maturity	2 800	5 300
	4 958	8 819

18. Retained Earnings		
Retained earnings at 1 July	11 759	10 497
Net profit	784	3 425
Transfers from (to) reserves	75	(873)
Dividend provided for	(541)	(1 290)
Retained Earnings at 30 June	12 077	11 759

19. Commitments		
Capital Commitments:		
One year or less	-	118
Total Capital Commitments	-	118

Capital contractual arrangements for asset management system software.

Remuneration Commitments:		
One year or less	617	324
Later than one year but no longer than five years	1 093	591
Total Remuneration Commitments	1 710	915

Amounts disclosed include commitments arising from executive service contracts. Public Trustee does not offer remuneration contracts greater than five years.

Operating Commitments:		
One year or less	734	638
Later than one year but no longer than five years	756	1 267
Total Operating Commitments	1 490	1 905

Public Trustee's operating leases are for office accommodation. Office accommodation is leased from Building Management Accommodation Services. The leases are non-cancellable with a right of renewal. Rent is payable monthly in arrears.

**Statement of Trusts being Administered
as at 30 June 2008**

	Note	2008 \$'000	2007 \$'000
TRUST FUNDS UNDER ADMINISTRATION:			
	3		
Deceased estates		158 252	150 138
Trusts		105 026	124 688
Administration matters		31 704	19 304
Court award orders		287 666	311 807
Protected estates		191 306	193 192
Workers compensation awards		435	322
Powers of attorney		74 462	73 332
Investors		156 595	152 148
Other		(23)	90
Total Funds		1 005 423	1 025 021
REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:			
	1.3, 2		
NON-CURRENT ASSETS:			
Australian equities		114 349	156 949
International equities		84 153	101 821
Listed property securities		22 231	41 755
Australian fixed interest investments		204 572	150 076
International fixed interest investments		16 695	20 330
Total Non-Current Assets		442 000	470 931
CURRENT ASSETS:			
Cash at bank and cash equivalents		26 851	39 029
Australian fixed interest investments		216 100	225 996
Advances to estates		2 943	2 129
Sundry debtors		15 325	17 609
Total Current Assets		261 219	284 763
CURRENT LIABILITIES:			
Bank overdraft		-	2 138
Income distribution payable		1 344	3 911
Sundry creditors		949	1 870
Total Current Liabilities		2 293	7 919
NET COMMON FUNDS ASSETS		700 926	747 775
ESTATE ASSETS:			
	1.2		
NON-CURRENT ASSETS:			
Real estate		254 191	235 109
Personal chattels		22 313	16 596
Equities		17 234	16 663
Fixed interest and cash assets		17 433	15 837
Mortgages		421	551
		311 592	284 756
CURRENT ASSETS:			
Sundry debtors		989	524
CURRENT LIABILITIES:			
Sundry creditors		8 084	8 034
NET ESTATE ASSETS		304 497	277 246
TOTAL NET ASSETS		1 005 423	1 025 021

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

1. Statement of Principal Accounting Policies

1.1 *Format of the Accounts*

The Statement of Trusts Being Administered and related Notes are a special purpose financial report prepared to provide information on the value and nature of trusts being administered. The statement consolidates all trusts being administered by Public Trustee. As this Statement is a special purpose financial report, there is no requirement to apply Accounting Standards and other mandatory reporting requirements in the preparation and presentation of this statement.

Public Trustee has prepared the statement, where appropriate, based on the general principles outlined in AASs.

The Statement of Trusts Being Administered has been prepared using the accrual basis of accounting. Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

1.2 *Basis of Valuation for Estate Assets*

Real Estate: For deceased estates, valuation as at date of death; in other matters, valuation as at the date of Public Trustee being appointed manager, administrator or new trustee. Public Trustee revalues all real estate (except deceased estate) other than accommodation bonds every three years wherever a current valuation is not held. Such revaluations are determined by reference to valuations established by the South Australian Valuer-General, with a revaluation last being carried out as at 30 June 2007.

Personal Chattels: For deceased estates, valuation as at date of death; in other matters, valuation as at the date of Public Trustee being appointed manager, administrator or new trustee. In the case of some sundry minor assets, nominal values are used for valuation purposes.

Investment by Estates in Common Funds: Valuation of estate investment in common funds is based on the underlying fair value of common funds as at balance date.

Other Estate Investments: Investments other than equities are shown at their face value. Valuation is performed at the date of the Public Trustee being appointed manager, administrator, new trustee or at the date of death in the case of deceased estates. Equities are valued at net fair value as at balance date.

1.3 *Basis of Valuation of Common Fund Assets and Liabilities*

Australian Equities and Listed Property Securities: Are valued at last close price based on the Australian Stock Exchange listed last closing price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities: All investments in International Equities are held in pooled funds which are valued in accordance with unit redemption prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments: Are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments: consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates: Are carried at their nominal amounts. The Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. The interest rate applicable on advances at 30 June 2008 was 7.40 percent (8.75 percent).

Cash at Bank and Cash Equivalents: Are carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand, as well as other short-term, highly liquid investments with original maturities of three months or less.

Sundry Debtors and Creditors: Are carried at their nominal amounts.

2. Operation of the Common Funds

Common funds managed by Public Trustee have been established pursuant to section 29 of the *Public Trustee Act 1995* or its predecessor legislation. Financial statements for each common fund operated by Public Trustee are presented within the annual report of the Public Trustee.

Investment in Common Funds (with the exception of direct investment in the Cash Common Fund) are by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Growth
- Balanced
- Equities.

3. Trust Funds under Administration	Number		Value	
	2008	2007	2008 \$'000	2007 \$'000
Deceased Estates:				
Monies and assets held under the administration of the Public Trustee pursuant to the provisions of the <i>Public Trustee Act 1995</i>	1 649	1 686	158 252	150 138
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust	1 561	1 260	105 026	124 688
Administration Matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to the <i>Public Trustee Act 1995</i>	394	227	31 704	19 304
Court Award Orders:				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs, and monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i>	899	899	287 666	311 807
Protected Estates:				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i>	2 974	2 923	191 306	193 192
Workers Compensation Awards:				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs	9	9	435	322
Powers of Attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf	531	528	74 462	73 332
Investors:				
Monies invested in common funds pursuant to section 29(1) of the <i>Public Trustee Act 1995</i> , by classes of persons approved by the Minister	420	442	156 595	152 148
	8 437	7 974	1 005 446	1 024 931

4. Unclaimed Monies

During the reporting period, unclaimed monies totalling \$5 213 372 (\$151 168) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS
CASH COMMON FUND
Income Statement
for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Interest	2(e)	24 872	17 091
Net losses on financial assets held at fair value through profit or loss	2(b)	<u>(2 434)</u>	(124)
Total Investment Income		<u>22 438</u>	16 967
EXPENSES:			
Public Trustee management fees	2(f)	3 378	2 731
Legal and advisory expenses		42	14
Other expenses		<u>38</u>	30
Total Expenses		<u>3 458</u>	2 775
Net Operating Profit		<u>18 980</u>	14 192
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		1	-
Distributions to unitholders	2(h),4	(21 132)	(14 315)
Transfers from net assets to determine distributable income	2(i)	<u>2 434</u>	124
Total Financing Costs Attributable to Unitholders		<u>(18 697)</u>	(14 191)
NET PROFIT FOR THE YEAR		<u>283</u>	1

Balance Sheet
as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	26 851	42 957
Advances to estates		2 943	2 129
Financial assets held at fair value through profit or loss	6	316 018	270 680
Other assets		<u>4 428</u>	3 681
Total Assets		<u>350 240</u>	319 447
LIABILITIES:			
Income distribution payable		283	1
Bank overdraft	5	-	2 138
Funds deposited by other common funds		68 900	46 732
Sundry Creditors		<u>943</u>	918
Total Liabilities (excluding Net Assets Attributable to Unitholders)		<u>70 126</u>	49 789
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3	<u>280 114</u>	269 658
Represented by:			
Fair value of outstanding units based on redemption value		282 537	269 647
Adjustments arising from different unit pricing and AIFRS valuation principles		<u>(2 423)</u>	11

CASH COMMON FUND
Cash Flow Statement
for the year ended 30 June 2008

	2008	2007
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	
CASH INFLOWS:		
Interest received	24 058	17 003
Cash generated from Operating Activities	24 058	17 003
CASH OUTFLOWS:		
Payments for expenses	(3 454)	(2 623)
Cash used in Operating Activities	(3 454)	(2 623)
Net Cash provided by Operating Activities	10(b) 20 604	14 380
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Proceeds from the sale of financial assets held at fair value through profit or loss	229 058	144 176
Net repayments of advances to estates	(814)	541
Cash generated from Investing Activities	228 244	144 717
CASH OUTFLOWS:		
Purchase of financial assets held at fair value through profit or loss	(276 743)	(174 025)
Cash used in Investing Activities	(276 743)	(174 025)
Net Cash used in Investing Activities	(48 499)	(29 308)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH INFLOWS:		
Net applications/redemptions from (to) unitholders	12 892	41 260
Net applications/redemptions from (to) other Common Funds	22 167	27 945
Cash generated from Financing Activities	35 059	69 205
CASH OUTFLOWS:		
Distributions paid	(21 132)	(14 315)
Cash used in Financing Activities	(21 132)	(14 315)
Net Cash provided by Financing Activities	13 927	54 890
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13 968)	39 962
CASH AND CASH EQUIVALENTS AT 1 JULY	40 819	857
CASH AND CASH EQUIVALENTS AT 30 JUNE	5 26 851	40 819

SHORT-TERM FIXED INTEREST COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Interest	2(e)	3 545	2 519
Net losses on financial assets held at fair value through profit or loss	2(b)	(141)	(43)
Total Investment Income		3 404	2 476
EXPENSES:			
Public Trustee management fees	2(f)	292	370
Legal and advisory expenses		3	2
Total Expenses		295	372
Net Operating Profit		3 109	2 104
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		1	1
Distributions to unitholders	2(h),4	(3 251)	(2 147)
Transfers from net assets to determine distributable income	2(i)	141	43
Total Financing Costs Attributable to Unitholders		(3 109)	(2 103)
NET PROFIT FOR THE YEAR		-	1

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	18 969	10 577
Financial assets held at fair value through profit or loss	6	28 482	36 186
Other assets		348	608
Total Assets		47 799	47 371
LIABILITIES:			
Income distribution payable		-	1
Sundry Creditors		1	-
Total Liabilities (excluding Net Assets Attributable to Unitholders)		1	1
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3	47 798	47 370
Represented by:			
Fair value of outstanding units based on redemption value		47 728	47 301
Adjustments arising from different unit pricing and AIFRS valuation principles		70	69

SHORT-TERM FIXED INTEREST COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received		3 811	2 383
Cash generated from Operating Activities		3 811	2 383
CASH OUTFLOWS:			
Payments for expenses		(295)	(374)
Cash used in Operating Activities		(295)	(374)
Net Cash provided by Operating Activities	10(b)	3 516	2 009
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		33 167	11 500
Cash generated from Investing Activities		33 167	11 500
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(25 608)	(18 208)
Cash used in Investing Activities		(25 608)	(18 208)
Net Cash provided by (used in) Investing Activities		7 559	(6 708)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by unitholders		11 129	12 316
Cash generated from Financing Activities		11 129	12 316
CASH OUTFLOWS:			
Payments for redemptions by unitholders		(10 561)	(3 425)
Distributions paid		(3 251)	(2 147)
Cash used in Financing Activities		(13 812)	(5 572)
Net Cash (used in) provided by Financing Activities		(2 683)	6 744
NET INCREASE IN CASH AND CASH EQUIVALENTS		8 392	2 045
CASH AND CASH EQUIVALENTS AT 1 JULY		10 577	8 532
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	18 969	10 577

LONG-TERM FIXED INTEREST COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Interest	2(e)	5 710	4 450
Net losses on financial assets held at fair value through profit or loss	2(b)	(331)	(1 039)
Total Investment Income		5 379	3 411
EXPENSES:			
Public Trustee management fees	2(f)	737	719
Legal and advisory expenses		9	4
Total Expenses		746	723
Net Operating Profit		4 633	2 688
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		2	2
Distributions to unitholders	2(h),4	(4 966)	(3 727)
Transfers from net assets to determine distributable income	2(i)	331	1 039
Total Financing Costs Attributable to Unitholders		(4 633)	(2 686)
NET PROFIT FOR THE YEAR		-	2

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	3 771	17 979
Financial assets held at fair value through profit or loss	6	76 171	69 207
Other assets		944	679
Total Assets		80 886	87 865
LIABILITIES:			
Income distribution payable		-	2
Sundry creditors		2	-
Total Liabilities (excluding Net Assets Attributable to Unitholders)		2	2
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3	80 884	87 863
Represented by:			
Fair value of outstanding units based on redemption value		80 764	87 730
Adjustments arising from different unit pricing and AIFRS valuation principles		120	133

LONG-TERM FIXED INTEREST COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received		5 689	4 990
Cash generated from Operating Activities		5 689	4 990
CASH OUTFLOWS:			
Payments for expenses		(747)	(726)
Cash used in Operating Activities		(747)	(726)
Net Cash provided by Operating Activities	10(b)	4 942	4 264
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		13 000	5 000
Cash generated from Investing Activities		13 000	5 000
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(20 536)	(7 873)
Cash used in Investing Activities		(20 536)	(7 873)
Net Cash used in Investing Activities		(7 536)	(2 873)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by unitholders		14 284	24 652
Cash generated from Financing Activities		14 284	24 652
CASH OUTFLOWS:			
Payments for redemptions by unitholders		(20 932)	(6 262)
Distributions paid		(4 966)	(3 727)
Cash used in Financing Activities		(25 898)	(9 989)
Net Cash (used in) provided by Financing Activities		(11 614)	14 663
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(14 208)	16 054
CASH AND CASH EQUIVALENTS AT 1 JULY		17 979	1 925
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	3 771	17 979

OVERSEAS FIXED INTEREST COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Trust distributions		2 379	1 104
Interest	2(e)	636	380
Net losses on financial assets held at fair value through profit or loss	2(b)	(1 043)	(1 562)
Other income		79	22
Total Investment Income (Loss)		2 051	(56)
EXPENSES:			
Public Trustee management fees	2(f)	285	230
Legal and advisory expenses		3	1
Total Expenses		288	231
Net Operating Profit (Loss)		1 763	(287)
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		1	1
Distributions to unitholders	2(h),4	(2 807)	(1 343)
Transfers from net assets to determine distributable income	2(i)	1 043	1 630
Total Financing Costs Attributable to Unitholders		(1 763)	288
NET PROFIT FOR THE YEAR		-	1

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	14 525	13 243
Financial assets held at fair value through profit or loss	6	16 695	20 329
Other assets		1 087	736
Total Assets		32 307	34 308
LIABILITIES:			
Income distribution payable		-	1
Sundry Creditors		1	-
Total Liabilities (excluding Net Assets Attributable to Unitholders)		1	1
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3	32 306	34 307
Represented by:			
Fair value of outstanding units based on redemption value		32 292	34 290
Adjustments arising from different unit pricing and AIFRS valuation principles		14	17

OVERSEAS FIXED INTEREST COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
CASH INFLOWS:			
Trust distributions received		2 028	979
Interest received		636	380
Other income		76	17
Cash generated from Operating Activities		2 740	1 376
CASH OUTFLOWS:			
Payments for expenses		(288)	(232)
Cash used in Operating Activities		(288)	(232)
Net Cash provided by Operating Activities	10(b)	2 452	1 144
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		28 595	-
Cash generated from Investing Activities		28 595	-
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(26 000)	-
Cash used in Investing Activities		(26 000)	-
Net Cash provided by Investing Activities		2 595	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by unitholders		6 384	11 335
Cash generated from Financing Activities		6 384	11 335
CASH OUTFLOWS:			
Payments for redemptions by unitholders		(7 342)	(2 443)
Distributions paid		(2 807)	(1 343)
Cash used in Financing Activities		(10 149)	(3 786)
Net Cash (used in) provided by Financing Activities		(3 765)	7 549
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 282	8 693
CASH AND CASH EQUIVALENTS AT 1 JULY		13 243	4 550
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	14 525	13 243

AUSTRALIAN SHARES COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Dividends		5 385	5 885
Trust distributions		2 042	4 146
Interest	2(e)	412	152
Net gains (losses) on financial assets held at fair value through profit or loss	2(b)	(25 459)	33 794
Other income		43	45
Total Investment (Loss) Income		(17 577)	44 022
EXPENSES:			
Public Trustee management fees	2(f)	1 585	1 744
Legal and advisory expenses		19	9
Transaction costs		21	53
Other expenses		12	2
Total Expenses		1 637	1 808
Net Operating (Loss) Profit		(19 214)	42 214
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS			
Undistributed income brought forward		74	49
Distributions to unitholders	2(h),4	(31 553)	(35 467)
Transfers (to) from net assets to determine distributable income	2(i)	50 683	(6 722)
Total Financing Costs Attributable to Unitholders		19 204	(42 140)
NET (LOSS) PROFIT FOR THE YEAR		(10)	74

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	17 128	-
Financial assets held at fair value through profit or loss	6	114 349	156 637
Other assets		2 163	4 405
Total Assets		133 640	161 042
LIABILITIES:			
Income distribution payable		(10)	74
Borrowings from Cash Common Fund	5	-	3 928
Sundry Creditors		3	-
Total Liabilities (excluding Net Assets Attributable to Unitholders)		(7)	4 002
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	3	133 647	157 040
Represented by:			
Fair value of outstanding units based on redemption value		133 607	157 565
Adjustments arising from different unit pricing and AIFRS valuation principles		40	(525)

AUSTRALIAN SHARES COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Trust distributions received		4 191	3 041
Dividends received		5 489	5 685
Interest received		412	152
Other income received		17	17
Cash generated from Operating Activities		10 109	8 895
CASH OUTFLOWS:			
Payments for expenses		(1 640)	(1 772)
Cash used in Operating Activities		(1 640)	(1 772)
Net Cash provided by Operating Activities	10(b)	8 469	7 123
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		67 257	48 244
Cash generated from Investing Activities		67 257	48 244
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(49 819)	(20 070)
Transaction costs on purchase of financial assets held at fair value through profit or loss		(21)	(53)
Cash used in Investing Activities		(49 840)	(20 123)
Net Cash provided by Investing Activities		17 417	28 121
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by Unitholders		38 391	26 475
Cash generated from Financing Activities		38 391	26 475
CASH OUTFLOWS:			
Payments for redemptions by Unitholders		(11 648)	(29 971)
Distributions paid		(31 573)	(35 467)
Cash used in Financing Activities		(43 221)	(65 438)
Net Cash used in Financing Activities		(4 830)	(38 963)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		21 056	(3 719)
CASH AND CASH EQUIVALENTS AT 1 JULY		(3 928)	(209)
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	17 128	(3 928)

OVERSEAS SHARES COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Trust distributions		5 287	6 935
Interest	2(e)	297	343
Net gains (losses) on financial assets held at fair value through profit or loss	2(b)	(27 308)	1 832
Other income		46	52
Total Investment (Loss) Income		(21 678)	9 162
EXPENSES:			
Public Trustee management fees	2(f)	1 081	1 086
Legal and advisory expenses		13	5
Other expenses		-	-
Total Expenses		1 094	1 091
Net Operating (Loss) Profit		(22 772)	8 071
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		3	3
Distributions to Unitholders	2(h),4	(2 739)	(2 990)
Transfers (to) from net assets to determine distributable income	2(i)	25 508	(5 081)
Total Financing Costs Attributable to Unitholders		22 772	(8 068)
NET PROFIT FOR THE YEAR		-	3

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	3 314	4 051
Financial assets held at fair value through profit or loss	6	84 153	101 821
Other assets		5 338	6 873
Total Assets		92 805	112 745
LIABILITIES:			
Income distribution payable		-	3
Sundry creditors		1	-
Total Liabilities (excluding Net Assets Attributable to Unitholders)		1	3
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS:	3	92 804	112 742
Represented by:			
Fair value of outstanding units based on redemption value		92 809	112 738
Adjustments arising from different unit pricing and AIFRS valuation principles		(5)	4

OVERSEAS SHARES COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
CASH INFLOWS:			
Trust distributions received		6 866	5 845
Interest received		297	343
Other income received		10	-
Cash generated from Operating Activities		7 173	6 188
CASH OUTFLOWS:			
Payments for expenses		(1 097)	(1 097)
Cash used in Operating Activities		(1 097)	(1 097)
Net Cash provided by Operating Activities	10(b)	6 076	5 091
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		23 356	-
Cash generated from Investing Activities		23 356	-
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(33 000)	(5 000)
Cash used in Investing Activities		(33 000)	(5 000)
Net Cash used in Investing Activities		(9 644)	(5 000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by unitholders		15 602	18 394
Cash generated from Financing Activities		15 602	18 394
CASH OUTFLOWS:			
Payments for redemptions by unitholders		(10 032)	(13 761)
Distributions paid		(2 739)	(2 990)
Cash used in Financing Activities		(12 771)	(16 751)
Net Cash provided by Financing Activities		2 831	1 643
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(737)	1 734
CASH AND CASH EQUIVALENTS AT 1 JULY		4 051	2 317
Effects of foreign currency exchange rate changes on cash and cash equivalents		-	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	3 314	4 051

LISTED PROPERTY SECURITIES COMMON FUND

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INVESTMENT INCOME:			
Trust distributions		2 552	2 494
Interest	2(e)	189	49
Net (losses) gains on financial assets held at fair value through profit or loss	2(b)	(16 254)	7 408
Other income		-	45
Total Investment (Loss) Income		(13 513)	9 996
EXPENSES:			
Public Trustee management fees	2(f)	356	459
Legal and advisory expenses		4	2
Transaction costs		6	11
Other operating expenses		-	24
Total Expenses		366	496
Net Operating (Loss) Profit		(13 879)	9 500
FINANCING COSTS ATTRIBUTABLE TO UNITHOLDERS:			
Undistributed income brought forward		3 833	2 029
Distributions to unitholders	2(h), 4	(7 401)	(4 128)
Transfers from (to) net assets to determine distributable income	2(i)	18 518	(3 568)
Total Financing Costs Attributable to Unitholders		14 950	(5 667)
NET PROFIT FOR THE YEAR		1 071	3 833

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
ASSETS:			
Cash and cash equivalents	5	11 194	882
Financial assets held at fair value through profit or loss	6	22 231	41 595
Other assets		1 016	627
Total Assets		34 441	43 104
LIABILITIES:			
Income distribution payable		1 071	3 833
Sundry creditors		-	949
Total Liabilities (excluding Net Assets Attributable to Unitholders)		1 071	4 782
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS:	3	33 370	38 322
Represented by:			
Fair value of outstanding units based on redemption value		33 420	38 541
Adjustments arising from different unit pricing and AIFRS valuation principles		(50)	(219)

LISTED PROPERTY SECURITIES COMMON FUND

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Trust distributions received		2 163	2 380
Interest received		189	49
Other income received		-	45
Cash generated from Operating Activities		2 352	2 474
CASH OUTFLOWS:			
Payments for expenses		(366)	(488)
Cash used in Operating Activities		(366)	(488)
Net Cash provided by Operating Activities	10(b)	1 986	1 986
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of financial assets held at fair value through profit or loss		33 377	10 602
Cash generated from Investing Activities		33 377	10 602
CASH OUTFLOWS:			
Purchase of financial assets held at fair value through profit or loss		(31 049)	(5 548)
Transaction costs on purchase of financial assets held at fair value through profit or loss		(6)	(11)
Cash used in Investing Activities		(31 055)	(5 559)
Net Cash provided by Investing Activities		2 322	5 043
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from applications by Unitholders		16 354	7 306
Cash generated from Financing Activities		16 354	7 306
CASH OUTFLOWS:			
Payments for redemptions by Unitholders		(2 949)	(10 790)
Distributions paid		(7 401)	(4 129)
Cash used in Financing Activities		(10 350)	(14 919)
Net Cash provided by (used in) Financing Activities		6 004	(7 613)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		10 312	(584)
CASH AND CASH EQUIVALENTS AT 1 JULY		882	1 466
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	11 194	882

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General Information

The Common Funds have been established pursuant to the *Public Trustee Act 1995* or its predecessor legislation. The following Common Funds were active for the whole of the current and comparative reporting periods:

- Cash Common Fund
- Short-Term Fixed Interest Common Fund
- Long-Term Fixed Interest Common Fund
- Australian Shares Common Fund
- Overseas Fixed Interest Common Fund
- Overseas Shares Common Fund
- Listed Property Securities Common Fund

The Inflation Linked Investments Common Fund was again dormant throughout 2007-08, has nil assets and liabilities and has not been reported.

Investment in Common Funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the Common Funds. Unitholders may invest in the Cash Common Fund or alternately invest in a selection of Common Funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Growth
- Balanced
- Equities

Management of common fund investments is undertaken by Public Trustee.

Australian and International Equity investments, Listed Property Securities investments, together with Overseas Fixed Interest investments have also been made using Australian domiciled pooled funds. At 30 June 2008, the following pooled fund investments were held:

Australian Shares Common Fund

- Greencape Premier Broadcap Fund
- Investors Mutual Australian Small Companies Fund
- Perennial Value Smaller Companies Trust

Listed Properties Securities Common Fund

- Macquarie True Index Listed Property Fund

Overseas Fixed Interest Common Fund

- State Street Global Broad Investment Grade Trust
- State Street Global Fixed Income Fund

Overseas Shares Common Fund

- CNA, Capital International Global Equity Trust
- MFS Global Equities Trust
- State Street Global Index Plus Trust
- State Street Global Index Plus (Hedged) Trust

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) *Basis of Preparation*

The statement of Public Trustee's Common Funds and related Notes is a general purpose financial report and has been prepared in accordance with TIs issued pursuant to the provisions of the PFAA, applicable AASs, and Interpretations.

The statements of the Common Funds have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The statements have also been prepared on the basis that all funds are distributable to unitholders resulting in zero residual equity. On this basis the Statement of Changes in Equity has not been included for reporting purposes as the changes in equity is zero.

Compliance with International Financial Reporting Standards (IFRS)

AASs include AIFRS. Compliance with AIFRS ensures that the financial report of the Funds, comprising the financial statements and Notes thereto, complies with IFRS.

Amounts have been rounded to the nearest thousand (\$'000).

(b) Financial Instruments

(i) Classification

The Funds' investments are classified as at fair value through profit or loss. They comprise:

- *Financial Instruments Designated at Fair Value through Profit or Loss upon Initial Recognition*
These include financial assets that are not held for trading purposes and that which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

Loans and receivables/payables comprise amounts due to or from the Common Funds.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

(iii) Measurement

(a) Financial Assets and Liabilities held at Fair Value through the Profit or Loss

Financial assets and liabilities held at fair value through the profit and loss are measured initially at fair value with no deduction for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit and loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Income Statement.

- *Fair Value in an Active Market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the Balance Sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- *Fair Value of Unlisted Unit Trusts*

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(b) Loans and Receivables

Loan assets are measured initially at fair value and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each Balance Sheet date to determine whether there is objective evidence of impairment for example when there has been a significant or prolonged decline in the fair value below cost.

If any such indication of impairment exists, an impairment loss is recognised in the Income Statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the Income Statement.

(c) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back into the Common Funds at any time for cash equal to a proportionate share of the Common Funds' net asset values. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the Balance Sheet date if unitholders exercised their right to put the units back to the Common Funds. Because the Common Funds' redemption unit prices are based on different valuation principles to that applied in financial reporting, valuation differences exist, which have been treated as a separate component of net assets attributable to unitholders. Changes in the value of these financial liabilities are recognised in the Income Statements as they arise.

(d) Cash and Cash Equivalents

For Cash Flow Statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within liabilities on the Balance Sheet. For the purposes of the Cash Flow Statements, bank overdraft is included as a component of cash and cash equivalents.

For all Common Funds (other than Cash Common Fund) cash equivalents include the Funds' investments in and borrowings from the Cash Common Fund.

(e) Investment Income

Interest income and expense are recognised in the Income Statement for all debt instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

(e) **Investment Income (continued)**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

(f) **Expenses**

All expenses, including management fees, are recognised in the Income Statement on an accruals basis.

Management fees are charged against each common fund at a rate of one-twelfth of one percent of the value of the fund as at the first business day of each month and are authorised by the *Public Trustee Act 1995*.

(g) **Income Tax**

Under current legislation, the Common Funds are not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (ie unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, the portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Income Statement.

(h) **Distributions**

Common Funds distributions are made to unitholders as at 31 December and 30 June each year. With the exception of the Listed Property Securities Common Fund, distributions are paid as at these dates. Unitholders to the Listed Property Securities Common Fund are presently entitled to the income and capital distributions payable at the balance date. Payment is not made until after the balance date as advice of distribution entitlements from underlying investments is not received by Public Trustee until after the balance date.

In respect of direct client investment in the Cash Common Fund, if the administration of an estate is completed during the year, an income entitlement is determined to the date of completion of the estate. Final entitlements to other common fund distributions are paid at normal distribution dates.

The distributions are recognised in the Income Statement, as finance costs attributable to unitholders.

(i) **Transfers (to) from Net Assets to Determine Distributable Income**

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, and net capital losses. Net capital gains on the realisation of any financial instruments and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Movements in net assets attributable to unitholders are recognised in the Income Statement as financing costs.

(j) **Foreign Currency Translation**

(i) **Functional and Presentation Currency**

Items included in the Common Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Common Funds compete for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(k) *Receivables*

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment using the effective interest rate method. Amounts are generally received within 30 days of being recorded as receivables.

(l) *Payables*

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Balance Sheet as unitholders are presently entitled to the distributable income as at 30 June 2008 under the Trust Deed.

(m) *Applications and Redemptions*

Applications received for units in the Common Funds are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(n) *GST*

The Common Funds are registered entities under the GST legislation. Investments in Public Trustee Common Funds are classified as input taxed financial supplies and no GST is charged on such supplies. The GST incurred on the costs of various services provided to the Common Funds by third parties such as management fees have been passed onto the Common Funds. The Common Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 75 percent hence investment management fees and other expenses have been recognised in the Income Statement net of the amount of GST recoverable from the ATO. Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Balance Sheet. Cash flows relating to GST are included in the Cash Flow Statement on a gross basis.

(o) *Use of Estimates*

The Common Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **Net Assets Attributable to Unitholders**

Movements in number of units and net assets attributable to unitholders during the year were as follows:

Each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

(a) *Common Fund Unit Prices*

Common Fund Unit Prices at 30 June	2008		2007	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Short-term fixed interest	\$1.0016	\$0.9986	\$1.0037	\$1.0007
Long-term fixed interest	\$1.0003	\$0.9973	\$1.0038	\$1.0008
Overseas fixed interest	\$0.8299	\$0.8291	\$0.8553	\$0.8545
Australian Shares	\$1.7336	\$1.7301	\$2.4359	\$2.4310
Overseas shares	\$0.9115	\$0.9052	\$1.1651	\$1.1570
Listed property securities	\$0.8923	\$0.8896	\$1.5291	\$1.5245

(b) *Movements in Common Fund Units*

	Short-Term Fixed Interest		Common Fund Long-Term Fixed Interest		Overseas Fixed Interest	
	2008 No. of Units '000	2007 No. of Units '000	2008 No. of Units '000	2007 No. of Units '000	2008 No. of Units '000	2007 No. of Units '000
Opening Balance	47 268	38 421	87 660	69 463	40 129	30 075
Applications	11 098	12 269	14 245	24 397	7 329	12 781
Redemptions	(10 570)	(3 422)	(20 923)	(6 200)	(8 510)	(2 727)
Closing Balance	47 796	47 268	80 982	87 660	38 948	40 129

(b) *Movements in Common Fund Units (continued)*

	Common Fund					
	Australian Shares		Overseas Shares		Listed Property Securities	
	2008	2007	2008	2007	2008	2007
	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000	No. of Units '000
Opening Balance	64 726	65 641	97 440	93 534	25 243	27 127
Applications	17 627	10 321	14 712	15 598	14 731	4 504
Redemptions	(5 244)	(11 236)	(9 624)	(11 692)	(2 463)	(6 388)
Closing Balance	77 109	64 726	102 528	97 440	37 511	25 243

(c) *Movements in Funds Employed*

	Common Fund							
	Cash		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening Balance	269 658	228 685	47 371	38 523	87 863	70 511	34 307	27 045
Applications ⁽¹⁾	12 890	100 642	11 129	12 316	14 284	24 652	6 384	11 336
Redemptions	-	-	(10 561)	(3 425)	(20 932)	(6 261)	(7 342)	(2 444)
Increase (Decrease) in net assets attributable to unitholders	(2 434)	(59 669)	(141)	(43)	(331)	(1 039)	(1 043)	(1 630)
Closing Balance	280 114	269 658	47 798	47 371	80 884	87 863	32 306	34 307

	Common Fund						Listed Property Securities	
	Australian Shares		Overseas Shares				2008	2007
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	\$'000	\$'000
Opening Balance	157 040	153 776	112 742	103 028	38 322	38 360	38 360	38 360
Applications	38 391	26 475	15 602	18 394	16 354	7 305	7 305	7 305
Redemptions	(11 648)	(29 971)	(10 032)	(13 761)	(2 949)	(10 790)	(10 790)	(10 790)
Increase (Decrease) in net assets attributable to unitholders	(50 136)	6 760	(25 508)	5 081	(18 357)	3 447	3 447	3 447
Closing Balance	133 647	157 040	92 804	112 742	33 370	38 322	38 322	38 322

- (1) A net movement in net assets attributable to unitholders funds is reported for the Cash Common Fund. This fund is the primary working account for trust administration operations. Movements in net assets attributable to unitholders are typically high volumes, low value transactions.

(d) *Net Realised and Unrealised Gains (Losses)*

	Net Unrealised Gains (Losses)		Net Realised Gains (Losses)	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash	(2 417)	(97)	(17)	(27)
Short-term fixed interest	(150)	(50)	9	7
Long-term fixed interest	(346)	(1 040)	15	1
Overseas fixed interest	(1 305)	(1 562)	262	-
Australian shares	(17 580)	26 333	(7 879)	7 461
Overseas shares	(14 953)	1 832	(12 355)	-
Listed property securities	(1 763)	5 790	(14 491)	1 618
	(38 514)	31 206	(34 456)	9 060

4. **Distributions to Unitholders**

Timing of Distributions

The distributions were paid/payable as follows:

	30.06.08 \$'000	30.06.08 CPU	30.06.07 \$'000	30.06.07 CPU
<i>Cash Common Fund</i>				
Distributions paid	21 132	0.0601	14 315	0.0458
Undistributable income brought forward	(1)	-	-	-
Distributions payable	283	-	1	-
	21 414		14 316	
<i>Short-Term Fixed Interest Common Fund</i>				
Distributions paid	3 251	0.0680	2 147	0.0454
Undistributable income brought forward	(1)	-	(1)	-
Distributions payable	-	-	1	-
	3 250		2 147	

4. **Distributions to Unitholders (continued)**

	30.06.08 \$'000	30.06.08 CPU	30.06.07 \$'000	30.06.07 CPU
Long-Term Fixed Interest Common Fund				
Distributions paid	4 966	0.0613	3 727	0.0425
Undistributable income brought forward	(2)	-	(2)	-
Distributions payable	-	-	2	-
	<u>4 964</u>		<u>3 727</u>	
Overseas Fixed Interest Common Fund				
Distributions paid	2 807	0.0721	1 343	0.0335
Undistributable income brought forward	(1)	-	(1)	-
Distributions payable	-	-	1	-
	<u>2 806</u>		<u>1 343</u>	
Australian Shares Common Fund				
Distributions paid	31 553	0.4092	35 467	0.5480
Undistributable income brought forward	(74)	-	(49)	-
Distributions payable	(10)	-	74	-
	<u>31 469</u>		<u>35 492</u>	
Overseas Shares Common Fund				
Distributions paid	2 739	0.0267	2 990	0.0307
Undistributable income brought forward	(3)	-	(3)	-
Distributions payable	-	-	3	-
	<u>2 736</u>		<u>2 990</u>	
Listed Property Securities Common Fund				
Distributions paid	7 401	0.1973	4 128	0.1635
Undistributable income brought forward	(3 833)	-	(2 029)	-
Distributions payable	1 071	-	3 833	-
	<u>4 639</u>		<u>5 932</u>	

In accordance with the *Public Trustee Act 1995*, investors received a proportionate distribution of net income depending on the number of days units were held. Included in the distribution at 30 June 2008 were net realised capital gains of 0.2261 cents per unit which was distributed to unitholders based on the number of units held as at 30 June 2008 for the Australian Shares Common Fund.

Included in the distribution at 31 December 2007 were net realised capital gains of 0.1291 cents per unit which was distributed to unitholders based on the number of units held as at 31 December 2007 for the Australian Shares Common Fund.

Included in the distribution at 31 December 2007 were net realised capital gains of 0.1088 cents per unit which was distributed to unitholders based on the number of units held as at 31 December 2007 for the Listed Property Securities Common Fund.

5. **Cash and Cash Equivalents**

	2008 \$'000	2007 \$'000
Cash Common Fund		
Cash at bank	21 851	29
Money market instruments	5 000	39 000
Advances to Common Funds	-	3 928
Bank overdraft	-	(2 138)
	<u>26 851</u>	<u>40 819</u>
Short-Term Fixed Interest Common Fund		
Units in Cash Common Fund	<u>18 969</u>	<u>10 577</u>
	<u>18 969</u>	<u>10 577</u>
Long-Term Fixed Interest Common Fund		
Units in Cash Common Fund	<u>3 771</u>	<u>17 979</u>
	<u>3 771</u>	<u>17 979</u>
Australian Shares Common Fund		
Units in Cash Common Fund	17 128	-
Borrowings from Cash Common Fund	-	(3 928)
	<u>17 128</u>	<u>(3 928)</u>
Overseas Fixed Interest Common Fund		
Units in Cash Common Fund	<u>14 525</u>	<u>13 243</u>
	<u>14 525</u>	<u>13 243</u>
Overseas Shares Common Fund		
Units in Cash Common Fund	<u>3 314</u>	<u>4 051</u>
	<u>3 314</u>	<u>4 051</u>
Listed Property Securities Common Fund		
Units in Cash Common Fund	<u>11 194</u>	<u>882</u>
	<u>11 194</u>	<u>882</u>

- (a) **Cash at Bank and On Hand**
The cash deposit is held with a financial institution and is interest bearing at 7.41 percent (6.28 percent) per annum as at 30 June 2008 available at call.
- (b) **Bank Overdraft**
The was no bank overdraft held as at 30 June 2008 (9.5 percent).
- (c) **Money Market Instruments**
These instruments are bearing floating interest rates between 7.03 percent and 8.85 percent (5.70 percent and 6.20 percent). This deposit is available at call.
- (d) **Units in Cash Common Fund**
Units held in the Cash Common Fund act as an operating cash account for the other Common Funds, and are interest bearing. These investments are available at call.
- (e) **Advances to Other Common Funds/Borrowings from Cash Common Fund**
There were no advances from the Cash Common Fund to other Common Funds for the period to 30 June 2008 (2007 rate 5.70 percent).

6. **Financial Assets Held at Fair Value through Profit and Loss**

	2008 \$'000	Cash 2007 \$'000	Common Funds	
			2008 \$'000	2007 \$'000
Designated as at Fair Value through Profit and Loss:			Short-Term Fixed Interest	
Equity securities	-	-	-	-
Fixed interest securities	316 018	270 680	28 482	36 186
Unlisted unit trusts	-	-	-	-
Total Designated as at Fair Value through Profit and Loss	316 018	270 680	28 482	36 186

	2008 \$'000	2007 \$'000	Common Funds	
			2008 \$'000	2007 \$'000
Designated as at Fair Value through Profit and Loss:			Long-Term Fixed Interest	
Equity securities	-	-	74 911	141 330
Fixed interest securities	76 171	69 207	-	-
Unlisted unit trusts	-	-	39 438	15 307
Total Designated as at Fair Value through Profit and Loss	76 171	69 207	114 349	156 637

	2008 \$'000	2007 \$'000	Common Funds	
			2008 \$'000	2007 \$'000
Designated as at Fair Value through Profit and Loss:			Overseas Fixed Interest	
Equity securities	-	-	-	-
Fixed interest securities	-	-	-	-
Unlisted unit trusts	16 695	20 329	84 153	101 821
Total Designated as at Fair Value through Profit and Loss	16 695	20 329	84 153	101 821

	2008 \$'000	2007 \$'000	Common Funds	
			2008 \$'000	2007 \$'000
Designated as at Fair Value through Profit and Loss:			Listed Property Securities	
Equity securities	-	-	-	41 595
Fixed interest securities	-	-	-	-
Unlisted unit trusts	22 231	-	-	-
Total Designated as at Fair Value through Profit and Loss	22 231	41 595	22 231	41 595

7. **Revenue and Assets for Entities within the SA Government**

	2008 \$'000	2007 \$'000
Public Trustee Common Fund distributions	10 450	8 251
Refunds and reimbursements	329	296
Gain (Loss) on Public Trustee Common Funds	(182)	1 263
Total Revenue for Entities within SA Government	10 597	9 810
Public Trustee Common Funds	128 542	112 881
Total Assets for Entities within SA Government	128 542	112 881

Public Trustee administers funds on behalf of a number of government entities that invest across all Common Funds.

8. Derivative Financial Instruments

Derivative instruments may be used by the Australian Shares, Overseas Shares and Overseas Fixed Interest Common Funds for purposes of investing funds or for hedging or otherwise managing risks associated with share and fixed interest markets. Where used for the purpose of investing funds, the notional exposure created by the holding of derivatives may not exceed the amount held as cash or an equivalent such as short term money market investments or deposits with other Common Funds.

No common fund held open futures contracts at the balance dates of the current or prior periods.

9. Financial Risk Management

Public Trustee's common fund activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Public Trustee. Only Australian domiciled pooled funds are to be used for overseas asset purchases, thus the common funds are not exposed to currency risk.

The Chief Investment Officer is responsible for ensuring that all investments entered into are within the guidelines specified by Public Trustee Investment Guidelines and Procedural Manual. The Chief Investment Officer may recommend to the Public Trustee and the Public Trustee may, after consultation with the Investment Advisory Committee, approve investments outside of the Public Trustee Investment Guidelines and Procedural Manual.

(a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables and committed transactions.

Short-term money market instruments must have a short-term Standard & Poor's rating of A1 or in the case of the issuer being a bank under the *Banking Act 1959* a rating of A2 is accepted. Floating rate instruments must have a long-term Standard & Poor's credit rating of A+ or better or where the counterparty is a bank under the *Banking Act 1959* a rating of BBB or better is accepted. Long-term investments must have long-term Standard & Poor's credit ratings of A+ or better or be an investment in a Commonwealth or Semi-government bond. If there is no independent rating, Public Trustee assesses the credit quality of the customer, taking into account its financial position and past experience.

Credit risk arises primarily with the following classes of instruments and counterparties:

Sovereign debt of the Australian Commonwealth and State Governments
Sovereign debt of the foreign governments
Banking corporations
Corporate debt of investment grade
Pooled Investment Funds

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Pooled Fund Investments are not rated however Public Trustee has made a thorough assessment of all Pooled Fund Managers in regard to credit and other risks prior to the investment of funds with each manager. The credit risk lies with the Pooled Fund Manager responsible for the management of the underlying investments. Public Trustee continually monitors these assessments via the quarterly Investment Advisory Committee Forum.

Credit Risk Analysis

Cash Common Fund

Cash and Short-Term Bank Deposits:	2008	2007
	\$'000	\$'000
A1+	171 993	199 012
A1	33 000	15 014
A2	32 346	30 019
Cash at bank	26 851	42 957
	264 190	287 002
Long-Term Bank Deposits:		
AA	56 971	17 569
A+	14 431	1 000
A	6 781	7 561
BBB+	496	505
	78 679	26 635

Short-Term Fixed Interest Common Fund

Cash and Short-Term Bank Deposits:		
A1+	4 980	25 224
A1	-	2 003
A2	4 976	-
Cash at bank	18 969	10 577
	28 925	37 804

<i>Short-Term Fixed Interest Common Fund</i>	2008	2007
Long-Term Bank Deposits:	\$'000	\$'000
AA+	1 915	1 930
AA	9 787	7 029
BBB+	6 824	-
	18 526	8 959
<hr/>		
<i>Long Term Fixed Interest Common Fund</i>		
Cash and Short Term Bank Deposits		
A1+	13 983	13 024
A2	1 985	-
Cash at bank	3 771	17 979
	19 739	31 003
<hr/>		
<i>Long Term Bank Deposits</i>		
AAA	43 834	51 280
AA+	2 872	2 895
AA	7 648	2 008
BBB+	5 849	-
	60 203	56 183
<hr/>		
<i>Overseas Fixed Interest Common Fund</i>		
Cash	14 525	13 243
<hr/>		
<i>Australian Shares Common Fund</i>		
Cash	17 128	-
<hr/>		
<i>Overseas Shares Common Fund</i>		
Cash	3 314	4 051
<hr/>		
<i>Listed Property Securities Common Fund</i>		
Cash	11 194	882
<hr/>		

(b) **Market Risk**

(i) *Price Risk*

The Australian Shares Common Fund, Overseas Shares Common Fund and the Listed Property Securities Common Fund are exposed to equity securities price risk. This arises from investments held by Public Trustee and classified on the Balance Sheet as financial assets at fair value through the profit and loss. Public Trustee is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, Public Trustee diversifies its portfolio. Diversification of the portfolio is done in accordance with the Investment Guidelines. Irrespective of what type of investment vehicle is used, the primary focus is to ensure the risk/reward objectives of the investment approach of the Public Trustee are met. The above common funds comprise a number of sub-portfolios which invest in different sectors of the equity market.

The Australian Shares Common Fund invests primarily in Top 100 ASX Companies. The remaining investments are in companies outside of the Top 100, with the Australian Shares Common Fund portfolio consisting of listed shares, convertible notes, instalment receipts, preference shares and options. No derivative products are permitted.

Equities in the Overseas Shares Common Fund consist of investments through Australian domiciled-pooled funds, thus there is no exposure to currency price risk. A core ('enhanced index') and satellite ('active') approach is used by the fund to provide diversification and reduce overall risk.

The Listed Property Securities Common Fund primarily invests in listed securities including exchange traded options from the Property Trust sector of the Australian Stock Exchange Limited (ASX) or any listed company whose major activity is in real properties.

(ii) *Cash Flow and Interest Rate Risk*

Public Trustee is exposed to interest rate risk arising from cash investments, short-term investments and Australian fixed interest investments. Instruments issued at fixed interest rates expose Public Trustee to fair value interest rate risk and variable rate instruments expose Public Trustee to cash flow interest rate risk.

The Cash Common Fund can invest in short term money market instruments with up to one year maturity, floating rate investment instruments with maturity terms up to 10 years if the counterparty is a bank with a credit rating of A- or better or fixed interest instruments with maturity terms up to three years. Securities with greater than one year maturity are restricted to make up less than 20 percent of the overall fund.

(ii) *Cash Flow and Interest Rate Risk (continued)*

The Short-term Fixed Interest Common Fund can invest in fixed interest securities with maturity terms of three years if the credit rating is A+ or better, or a maturity term of up to six years for Commonwealth bonds, Semi-government bonds.

The Long-term Fixed Interest Common Fund invests in securities with maturities ranging from 5 years to 25 years.

(iii) *Foreign Exchange Risk*

The Overseas Fixed Interest Common Fund and the Overseas Shares Common Fund are indirectly exposed to foreign exchange risk as a result of their investments in other unit trusts which in turn invest in financial instruments that are denominated in foreign currencies.

The Common Funds rely on the hedging policies of the unit trusts that they invest into to adequately hedge the exposure to foreign exchange risk.

A sensitivity analysis is provided below, outlining the exposure to each type of market risk at reporting date, showing how profit or loss and equity would have been affected by the changes in the relevant risk variable that was reasonably possible at that date. All instruments are designated as financial assets at fair value through the profit and loss; therefore there is no impact on equity.

Financial Risk Management - Sensitivity Analysis

Cash Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Cash and cash equivalents	26 851	(269)	269	-	-
Financial assets held at fair value through profit and loss	316 018	(3 160)	3 160	-	-
Financial Liabilities:					
Bank overdraft	-	-	-	-	-
Total Increase (Decrease)		(3 429)	3 429	-	-

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Cash and cash equivalents	42 957	(430)	430	-	-
Financial assets held at fair value through profit and loss	270 680	(2 707)	2 707	-	-
Financial Liabilities:					
Bank overdraft	2 138	(21)	21	-	-
Total Increase (Decrease)		(3 158)	3 158	-	-

Short-Term Fixed Interest Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with cash common fund	18 969	(190)	190	-	-
Financial assets held at fair value through profit and loss	28 482	(285)	285	-	-
Total Increase (Decrease)		(475)	475	-	-

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Deposits with cash common fund	10 577	(106)	106	-	-
Financial assets held at fair value through profit and loss	36 186	(362)	362	-	-
Total Increase (Decrease)		(468)	468	-	-

Long-Term Fixed Interest Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with cash common fund	3 771	(38)	38	-	-
Financial assets held at fair value through profit and loss	76 171	(762)	762	-	-
Total Increase (Decrease)		(800)	800	-	-
	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Deposits with cash common fund	17 979	(180)	180	-	-
Financial assets held at fair value through profit and loss	69 207	(692)	692	-	-
Total Increase (Decrease)		(872)	872	-	-

Overseas Fixed Interest Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with cash common fund	14 525	(145)	145	-	-
Financial assets held at fair value through profit and loss	16 695	-	-	(3 339)	1 670
Total Increase (Decrease)		(145)	145	(3 339)	1 670
	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Deposits with cash common fund	13 243	(132)	132	-	-
Financial assets held at fair value through profit and loss	20 329	-	-	(2 033)	4 066
Total Increase (Decrease)		(132)	132	(2 033)	4 066

Australian Shares Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with cash common fund	17 128	(171)	171	-	-
Financial assets held at fair value through profit and loss	114 349	-	-	(22 870)	11 435
Total Increase (Decrease)		(171)	171	(22 870)	11 435
	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Financial assets held at fair value through profit and loss	156 637	-	-	(15 664)	31 327
Financial Liabilities:					
Borrowings from Cash Common Fund	3 928	(39)	39	-	-
Total Increase (Decrease)		(39)	39	(15 664)	31 327

Overseas Shares Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with Cash Common Fund	3 314	(33)	33	-	-
Financial assets held at fair value through profit and loss	84 153	-	-	(16 831)	8 415
Total Increase (Decrease)		(33)	33	(16 831)	8 415

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Deposits with cash common fund	4 051	(41)	41	-	-
Financial assets held at fair value through profit and loss	101 821	-	-	(10 182)	20 364
Total Increase (Decrease)		(41)	41	(10 182)	20 364

Listed Property Securities Common Fund

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-20% Profit and Loss \$'000	+10% Profit and Loss \$'000
2008					
Financial Assets:					
Deposits with cash common fund	11 194	(112)	112	-	-
Financial assets held at fair value through profit and loss	22 231	-	-	(4 446)	2 223
Total Increase (Decrease)		(112)	112	(4 446)	2 223

	Carrying Amount \$'000	Interest Rate Risk		Price Risk	
		-1% Profit and Loss \$'000	+1% Profit and Loss \$'000	-10% Profit and Loss \$'000	+20% Profit and Loss \$'000
2007					
Financial Assets:					
Deposits with cash common fund	882	(9)	9	-	-
Financial assets at fair value through profit and loss	41 595	-	-	(4 160)	8 319
Total Increase (Decrease)		(9)	9	(4 160)	8 319

(c) **Liquidity Risk**

Public Trustee has working capital policies in place in order to maintain liquidity. Short-term investment analysis assists in determining the amount, if any, to be invested or reinvested in order to maintain working capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Public Trustee manage the liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

(d) **Fair Value Estimation**

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

Cash and cash equivalents are valued at nominal amounts. This asset consists of cash at bank, on hand and short-term money market deposits with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Financial assets and liabilities held at fair value through the profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by Public Trustee is the current bid price, while financial liabilities are priced at current asking prices.

Receivables and payables are valued on a historical cost basis and it is considered that the carrying value approximates market value.

10. Cash Flow Reconciliation		2008	2007
Cash Common Fund		\$'000	\$'000
(a) Reconciliation of Cash and Cash Equivalents			
Cash Flow Statement		26 851	40 819
Balance Sheet		26 851	40 819

Cash Common Fund (continued)	2008	2007
(b) Reconciliation of Net Profit to Net Cash provided by Operating Activities	\$'000	\$'000
Net Operating Profit	18 980	14 192
Non-cash Operating Activities:		
Net losses on financial instruments held at fair value through profit or loss	2 434	124
Amortisation of discounts and premiums	(88)	18
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	(747)	(102)
Net change in payables and other liabilities	25	148
Net Cash provided by Operating Activities	20 604	14 380
Short-Term Fixed Interest Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	18 969	10 577
Balance Sheet	18 969	10 577
(b) Reconciliation of Net Profit to Net Cash provided by Operating Activities		
Net Operating Profit	3 109	2 104
Non-cash Operating Activities:		
Net losses on financial instruments held at fair value through profit or loss	141	43
Amortisation of discounts and premiums	6	242
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	260	(378)
Net change in payables and other liabilities	-	(2)
Net Cash provided by Operating Activities	3 516	2 009
Long-Term Fixed Interest Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	3 771	17 979
Balance Sheet	3 771	17 979
(b) Reconciliation of Net Profit to Net Cash provided by Operating Activities		
Net Operating Profit	4 633	2 688
Non-cash Operating Activities:		
Net losses on financial instruments held at fair value through profit or loss	331	1 039
Amortisation of discounts and premiums	241	410
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	(265)	130
Net change in payables and other liabilities	2	(3)
Net Cash provided by Operating Activities	4 942	4 264
Overseas Fixed Interest Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	14 525	13 243
Balance Sheet	14 525	13 243
(b) Reconciliation of Net Profit (Loss) to Net Cash provided by Operating Activities		
Net Operating Profit (Loss)	1 763	(287)
Non-cash operating activities:		
Net losses on financial instruments held at fair value through profit or loss	1 043	1 562
Income reinvested and not received in cash	(2)	(5)
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	(351)	(125)
Net change in payables and other liabilities	(1)	(1)
Net Cash provided by Operating Activities	2 452	1 144
Australian Shares Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	17 128	(3 928)
Balance Sheet	17 128	(3 928)

	2008	2007
	\$'000	\$'000
(b) Reconciliation of Net (Loss) Profit to Net Cash provided by Operating Activities		
Net Operating (Loss) Profit	(19 214)	42 214
Non-cash operating activities:		
Net gains on financial instruments held at fair value through profit or loss	25 459	(33 794)
Dividends and other income reinvested and not received in cash	(21)	(179)
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	2 242	(1 105)
Net change in payables and other liabilities	3	(13)
Net Cash provided by Operating Activities	8 469	7 123
Overseas Shares Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	3 314	4 051
Balance Sheet	3 314	4 051
(b) Reconciliation of Net (Loss) Profit to Net Cash provided by Operating Activities		
Net Operating (Loss) Profit	(22 772)	8 071
Non-cash operating activities:		
Net gains on financial instruments held at fair value through profit or loss	27 308	(1 832)
Income reinvested and not received in cash	(36)	(52)
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	1 575	(1 093)
Net change in payables and other liabilities	1	(3)
Net Cash provided by Operating Activities	6 076	5 091
Listed Property Securities Common Fund		
(a) Reconciliation of Cash and Cash Equivalents		
Cash Flow Statement	11 194	882
Balance Sheet	11 194	882
(b) Reconciliation of Net (Loss) Profit to Net Cash provided by Operating Activities		
Net Operating (Loss) Profit	(13 879)	9 500
Non-cash operating activities:		
Net gains on financial instruments held at fair value through profit or loss	16 254	(7 408)
Income reinvested and not received in cash	-	(122)
Net Change in Assets and Liabilities:		
Net change in receivables and other assets	(389)	18
Net change in payables and other liabilities	-	(2)
Net Cash provided by Operating Activities	1 986	1 986

11. Events Occurring after Balance Date

No significant events have occurred since balance date which would impact on the financial position of the Common Funds disclosed in the Balance Sheet as at 30 June 2008 or on the results and cash flows of the Common Funds for the year ended on that date.

AUDITOR-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY

Establishment and Functions

The PFAA confers wide powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations. In addition, the Auditor-General is the appointed auditor of various statutory authorities, corporations and funds; is the appointed auditor certain companies associated with the operations of public sector agencies; has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils; is required by the *Health Care Act 2008* and previously by the *South Australian Health Commission Act 1976* to audit the accounts of incorporated hospitals and certain other health bodies and to approve the auditors of certain other health bodies; and is also required to approve the auditors of certain statutory boards.

The PFAA provides a mandate for the Auditor-General to conduct five different types of audits and reviews. These are:

- financial and compliance audit - subsection 31(1)
- efficiency and economy audit - subsection 31(2)
- review of the adequacy of controls exercised by auditee agencies - subsection 36(1)(a)(iii)
- examination of the accounts of a publicly funded body - section 32
- review of a summary of a confidential government contract - section 41A.

The Auditor-General's Department operates to assist the Auditor-General in the discharge of his/her statutory audit mandate. It is an administrative unit established pursuant to the PSM Act.

AUDIT MANDATE AND COVERAGE

Audit Authority

Under subsection 35(1) of the PFAA, the Governor, on the recommendation of the Treasurer, has appointed Edwards Marshall as auditor of the Auditor-General's Department.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In Edwards Marshall's opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Department as at 30 June 2008, and its financial performance for the financial year ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).
- (b) the financial statements are in accordance with the accounts and records of the Department.

Assessment of Controls

In Edwards Marshall's opinion the controls employed by the Department for the financial year ended 30 June 2008 over its financial reporting and preparation of the financial statements are effective.

Communication of Audit Matters

Edwards Marshall advised in their management letter that no matters of interest were discovered during their audit.

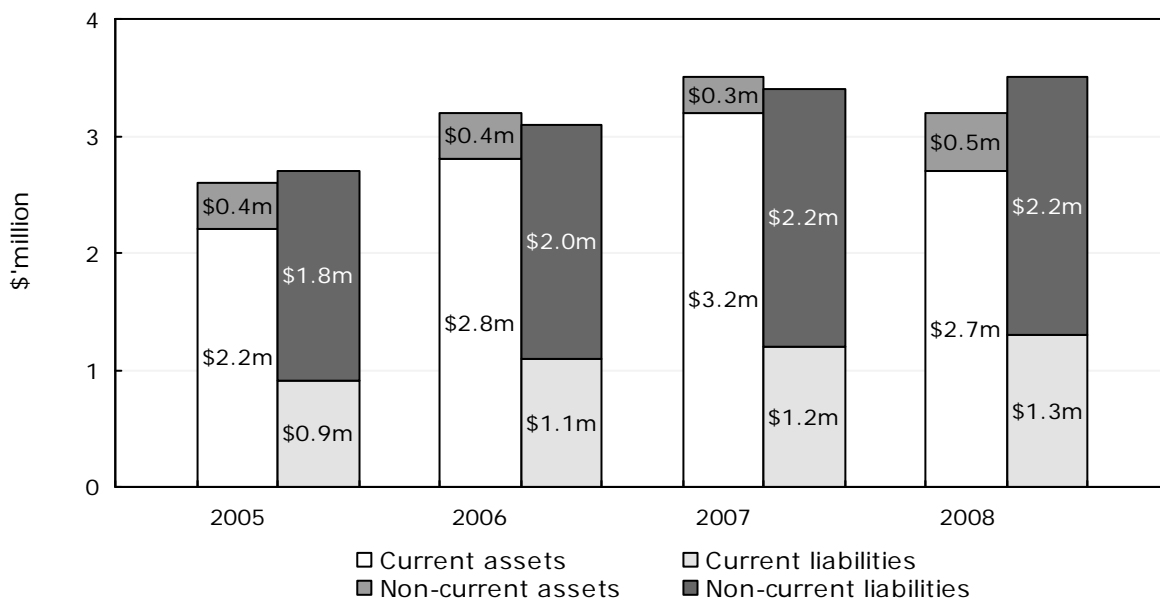
INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007
	\$'million	\$'million
EXPENSES		
Employee expenses	8.5	8.4
Other expenses	2.6	2.6
Total Expenses	11.1	11.0
REVENUES FROM SA GOVERNMENT	11.4	11.0
NET CASH PROVIDED BY OPERATING ACTIVITIES	0.03	0.5
TOTAL ASSETS	3.2	3.5
TOTAL LIABILITIES	3.5	3.4

Balance Sheet

Assets and liabilities for the four years to 2008 are shown in the following chart.



The chart shows that current assets had been steadily increasing between 2005 and 2007. This was due to an accumulation of cash held in the Department's Operating Account and in a Special Deposit Account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. The increase in cash arose from funding provided annually to meet the accrued cost of accumulated employee leave entitlements. In 2007-08 the Department paid surplus cash totalling \$925 000 to the Consolidated Account in accordance with the principles of the Cash Alignment Policy. This resulted in a decrease in current assets for the year.

**Income Statement
for the year ended 30 June 2008**

		2008	2007
EXPENSES:	Note	\$'000	\$'000
Employee expenses	3	8 488	8 425
Supplies and Services:	4		
Contractors		1 007	845
Accommodation and service costs		513	502
Other expenses		318	339
Computing and network processing costs		191	171
Staff development and training		161	159
Motor vehicle hire		131	134
Consultancies		33	231
Depreciation and amortisation		252	217
Total Expenses		11 094	11 023
INCOME:			
Employee benefits transferred	5	245	-
Interest		-	12
Other income		2	2
Total Income		247	14
NET COST OF PROVIDING SERVICES		10 847	11 009
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	6	11 358	11 012
Return of surplus cash pursuant to cash alignment policy	6	(925)	-
NET RESULT		(414)	3

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	7	2 590	3 113
Receivables	8	93	90
Total Current Assets		2 683	3 203
NON-CURRENT ASSETS:			
Computing and office facilities	9	526	181
Intangible assets	10	32	75
Total Non-Current Assets		558	256
Total Assets		3 241	3 459
CURRENT LIABILITIES:			
Payables	11	515	215
Cash advance - Imprest account		3	3
Employee benefits	12	841	895
Provision for workers compensation	13	5	22
Total Current Liabilities		1 364	1 135
NON-CURRENT LIABILITIES:			
Payables	11	210	191
Employee benefits	12	1 960	1 997
Provision for workers compensation	13	13	28
Total Non-Current Liabilities		2 183	2 216
Total Liabilities		3 547	3 351
NET ASSETS		(306)	108
EQUITY:			
Opening balance - Surplus		108	105
(Decrease) Increase in net assets		(414)	3
TOTAL EQUITY		(306)	108
Total equity is attributable to the SA Government as owner			
Commitments	14		

Statement of Changes in Equity for the year ended 30 June 2008

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	105	105
Net Result for 2006-07	3	3
Balance at 30 June 2007	108	108
Net Result for 2007-08	(414)	(414)
Balance at 30 June 2008	(306)	(306)

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(8 327)	(8 132)
Supplies and services		(2 074)	(2 402)
GST on purchases		(281)	(233)
CASH INFLOWS:			
Interest		-	12
Other income		2	2
GST on receipts		-	1
GST refunds from Australian Taxation Office		278	235
CASH FLOWS FROM (TO) SA GOVERNMENT:			
Appropriations and contingency provision grant	6	11 358	11 012
Return of surplus cash pursuant to cash alignment policy	6	(925)	-
Net Cash provided by Operating Activities	15	31	495
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of computing and office facilities		(542)	(44)
Purchase of intangible assets		(12)	(7)
CASH INFLOWS:			
Disposal of computing and office facilities		-	17
Net Cash used in Investing Activities		(554)	(34)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		(523)	461
CASH AND CASH EQUIVALENTS AT 1 JULY		3 113	2 652
CASH AND CASH EQUIVALENTS AT 30 JUNE	7,15	2 590	3 113

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the PFAA.

The Department's sole program is the provision of Auditing Services covering all the audit responsibilities prescribed under the PFAA. Within this program class there are two subprograms:

Prescribed Audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the PFAA. During the year the Department spent \$11 094 000 (\$11 023 000) on this subprogram.

Special Investigations

Includes all work defined in the PFAA that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on Special Investigations when requested by the Parliament or Treasurer
- reviewing summary documents of confidential government contracts and reporting on the adequacy of each document as a summary of the contents of the contract when requested to do so by a Minister.

Special Investigations (continued)

These projects have specific Terms of Reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department incurred no expenditure on this subprogram and in 2006-07 expenditure on the subprogram was also nil.

2. Statement of Significant Accounting Policies

2.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with applicable AASs, TIs and APSs issued pursuant to the PFAA.

The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values.

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

Statement of Compliance

AASs include AIFRS and AAS 29. AASs and AASB Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

The Department's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention.

The Cash Flow Statement has been prepared on a cash basis.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement, or where assumption and estimates are significant to the financial statements are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures in this financial report:
 - (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
 - (b) Employees whose normal remuneration is \$100 000 or more and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly to those employees.
 - (c) Expenses incurred as a result of engaging consultants (reported in the Income Statement).

2.2 Reporting Entity

The Department produces both Departmental and Administered financial statements. The Departmental financial statements report on the use of assets, liabilities, income and expenses controlled or incurred by the Department. The Administered Items financial statements report on the income, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

2.3 Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where applicable the comparatives have been restated to assist users understanding of the current reporting period and do not replace the original financial report for the preceding period.

2.4 Rounding

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

2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT and GST. Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred by the Department on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO) it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables which are stated with the amount of GST included.

2.5 Taxation (continued)

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

Cash flows are reported on a gross basis in the Cash Flow Statement. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the ATO have however been classified as operating cash flows.

2.6 Income and Expenses

Income and expenses are recognised in the Income Statement only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with APF II, APS 3.5 and have not been offset unless required or permitted by another accounting standard.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.7 Revenues from (Payments to) SA Government

Parliament approved funding appropriations are received for the full accrual cost of services. The appropriation is paid into a Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriations for accrued expenses are deposited in a Special Deposit Account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to TI 3, paragraph 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

Administered items are funded by Parliamentary appropriations on a cash basis.

2.8 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature.

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

2.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and deposits held at call.

2.10 Receivables

Receivables arise in the normal course of audit services to other agencies. Receivables are payable within 14 days after the issue of an invoice.

2.11 Inventories

Consumable supplies are not recognised in the Balance Sheet as the value of these supplies is not considered to be material.

2.12 Non Current Asset Acquisition and Recognition

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation.

All non-current physical assets with a value greater than \$2000 are capitalised in accordance with APF III, APSs 2.15 and 2.16.

The acquisition of software is capitalised when the expenditure meets the definition criteria of an intangible asset and when expenditure is greater than or equal to \$2000 in accordance with APF III, APSs 2.15 and 2.16. The Department has no internally generated intangible assets.

All assets useful lives have been set at three years.

2.13 Revaluation of Non-Current Assets

All non-current assets with a limited useful life are systematically depreciated over three years, hence revaluations are not conducted for non-current assets.

2.14 Depreciation/Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful lives of all major assets are reassessed on an annual basis.

Depreciation/amortisation for non-current assets is determined as follows:

<i>Class of Assets</i>	<i>Method</i>	<i>Useful Life Years</i>
Computing and office equipment	Straight Line	3
Leasehold improvements	Straight Line	3
Computer software	Straight Line	3

2.15 Payables

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid. Creditors include all unpaid invoices received relating to the normal 12 month operating cycle.

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

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

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

Contributions are paid to several superannuation schemes operated by the SA Government and are treated as an expense when they occur. The liability for payments to beneficiaries is assumed by the South Australian Superannuation Board (SASB). The liability outstanding at the reporting date is for any contributions due but not yet paid to the SASB.

2.16 Employee Benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with AASB 119. Employee benefits comprise salaries, annual leave and long service leave.

Salaries

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

Annual Leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date. Annual leave is expected to be paid within 12 months.

Sick Leave

No liability is recognised, as all sick leave is non-vesting and the average sick leave taken by employees is considered to be taken from the current year's accrual, as it is estimated to be less than the annual entitlement for sick leave.

Long Service Leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of 6.5 years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 119. This advice has been adopted and the long service leave liability as at 30 June 2008 has been calculated at nominal amounts based on current salary rates for employees with 6.5 or more years service.

The long service leave to be taken in the 12 months to 30 June 2009 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Superannuation

The liability for superannuation is included in payables.

2.17 Provisions

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2008 provided by a consulting actuary engaged through the Public Sector Workforce Division of the Department of the Premier and Cabinet. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of workers compensation claims.

2.18 Leases

The Department has entered into two operating leases. The two leases are for office accommodation and motor vehicles.

Operating Leases

Under the operating leases, the lessor effectively retains the entire risks and benefits incidental to ownership of the leased items.

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

3. Employee Expenses	2008	2007
Employee Benefits:	\$'000	\$'000
Salaries	6 325	6 220
Annual leave	593	605
Long service leave	285	277
Total Employee Benefits	7 203	7 102
Employee On-Costs:		
Superannuation	837	817
Payroll tax	442	463
Total Employee On-costs	1 279	1 280
Workers compensation	6	43
Total Employee Expenses	8 488	8 425

4. Supplies and Services		
Supplies and Services provided by Entities within SA Government:		
Accommodation and service costs	490	491
Other expenses	38	51
Staff development and training	3	4
Motor vehicle hire	91	100
Total Supplies and Services - SA Government Entities	622	646

Supplies and Services provided by Entities External to the SA Government:		
Contractors	1 007	845
Accommodation and service costs	23	11
Other expenses	280	288
Consultancies	33	231
Computing and network processing costs	191	171
Staff development and training	158	155
Motor vehicle hire	40	34
Total Supplies and Services - Non-SA Government Entities	1 732	1 735
Total Supplies and Services	2 354	2 381

- 5. Employee Benefits Transferred**
The Employee Benefits Transferred relates to the one-off recognition in 2007-08 of the transfer of Deputy Auditor-General's leave liabilities from the Department's accounts to the Department's administered items accounts upon his appointment as Auditor-General in September 2007. The Employee Expenses and Employee Benefits for administered items reflect the one-off recognition of the transferred liabilities in 2007-08.

- 6. Funding of the Department**
Appropriations to the Department in 2007-08 amounted to \$11 338 000 (\$10 915 000) and there was a contingency provision grant of \$20 000 (\$97 000).

In 2007-08 the Department sought approval from the Department of Treasury and Finance to pay surplus cash totalling \$925 000 to the consolidated Account in accordance with the principles of the Cash Alignment Policy.

Appropriations under Special Acts are reported under Administered Items.

7. Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Deposits with the Treasurer	2 587	3 110
Imprest Account and cash on hand	3	3
Total Cash and Cash Equivalents	2 590	3 113

Deposits with the Treasurer

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

Interest Rate Risk

Deposits with the Treasurer are non-interest bearing for the Department. The Department's only interest bearing asset is an Imprest account and the exposure to interest rate risk is insignificant.

	2008	2007
	Percent	Percent
The weighted average interest rate for the Imprest Account was	6.79	6.01

The carrying amounts of cash and cash equivalents represents fair value.

8. Receivables	2008	2007
Current:	\$'000	\$'000
GST input tax recoverable	93	90
Total Current*	93	90

* The current receivable amount is with a non-SA Government entity.

Interest Rate and Credit Risk

The Department's receivable is the GST input tax credits recoverable from the ATO. As such there is no credit or interest rate risk and the carrying amount represents fair value.

9.	Computing and Office Facilities	2008	2007
	9.1 Classes of Computing and Office Facilities	\$'000	\$'000
	Equipment - At cost	780	806
	Accumulated depreciation	(512)	(625)
		268	181
	Leasehold improvements - At cost	458	150
	Accumulated depreciation	(200)	(150)
		258	-
		526	181

9.2	Reconciliation of Carrying Amount				Carrying Amount
		01.07.07	Additions	Disposals	Depreciation
		\$'000	\$'000	\$'000	\$'000
	Equipment	181	234	-	147
	Leasehold improvements	-	308	-	50
	Total Computing and Office Facilities	181	542	-	197
					526

10.	Intangible Assets	2008	2007
	10.1 Classes of Intangible Assets	\$'000	\$'000
	Computer software - At cost	519	507
	Accumulated amortisation	(487)	(432)
		32	75

10.2	Reconciliation of Carrying Amount				Carrying Amount
		01.07.07	Additions	Disposals	Amortisation
		\$'000	\$'000	\$'000	\$'000
	Computer software	75	12	-	55
	Total Intangible Assets	75	12	-	55
					32

The Department has no contractual commitments for the acquisition of intangible assets.

11.	Payables	2008	2007
	Current	\$'000	\$'000
	Employee on-costs	202	182
	Creditors	311	31
	Accrued expenses	2	2
	Total Current	515	215
	Non-Current:		
	Employee on-costs	210	191
	Total Non-Current	210	191
	Total Payables	725	406
	Payables to entities within the SA Government	238	219
	Payables to entities external to the SA Government	487	187
	Total Payables	725	406

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates fair value due to the amounts being payable on demand.

12.	Employee Benefits	2008	2007
	Current:	\$'000	\$'000
	Salaries	155	129
	Annual leave	515	592
	Long service leave	171	174
	Total Current	841	895
	Non-Current:		
	Long service leave	1 960	1 997
	Total Non-Current	1 960	1 997
	Total Employee Benefits	2 801	2 892

13. Provision	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	5	22
Total Current	5	22
Non-Current:		
Provision for workers compensation	13	28
Total Non-Current	13	28
Total Provision	18	50
Carrying amount at 1 July	50	12
Workers compensation payments	(30)	(3)
(Decrease) Increase in the provision	(2)	41
Carrying Amount at 30 June	18	50

The workers compensation provision is based on an actuarial assessment provided by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

14. Commitments

Operating Lease Commitments

The Department's operating leases are for the leasing of office accommodation and motor vehicles.

Office Accommodation

Office accommodation is leased from the Building Management Division of the Department for Transport, Energy and Infrastructure. The lease expires on 30 June 2010. The rental amount is based on floor space, with the rental rate reviewable by Building Management every two years.

Motor Vehicles

Motor vehicles are leased from the Fleet SA business unit of the Department of Treasury and Finance. The vehicles are leased for a specified time period or a specified number of kilometres, whichever occurs first. The lease rate is determined according to the type of vehicle being leased and the number of months of the lease period. The lease rates are reviewed annually by Fleet SA.

At the reporting date the Department had the following obligations under non-cancellable operating leases (these obligations have not been recognised as liabilities):	2008	2007
	\$'000	\$'000
Not later than one year	602	514
Later than one year and not later than five years	595	946
Total Operating Lease Commitments	1 197	1 460

Remuneration Commitments

At the reporting date the Department had commitments for the payment of salaries and other remuneration under fixed-term employment contracts (these obligations have not been recognised as liabilities):

Not later than one year	837	844
Later than one year and not later than five years	2 434	2 248
Total Remuneration Commitments	3 271	3 092

Amounts disclosed include commitments arising from executive contracts under fixed term employment. The Department does not offer fixed term employment contracts to executives for periods greater than five years.

15. Cash Flow Reconciliations

15.1 Reconciliation of Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Cash and Cash Equivalents at 30 June per:		
Balance Sheet	2 590	3 113
Cash Flow Statement	2 590	3 113
15.2 Reconciliation of Net Cost of Providing Services to Net Cash provided by Operating Activities		
Net cost of providing services	(10 847)	(11 009)
Net Cash Flows from government	10 433	11 012
Depreciation	252	217
(Increase) Decrease in receivables	(3)	5
(Decrease) Increase in employee benefits	(91)	245
(Decrease) Increase in provision for workers compensation	(32)	38
Increase (Decrease) in payables	319	(13)
Net Cash provided by Operating Activities	31	495

16. Remuneration of Employees	2008	2008	2007	2007
The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:	Number of Executives*	Number of Employees	Number of Executives*	Number of Employees
\$100 000 - \$109 999	-	6	-	3
\$110 000 - \$119 999	-	1	-	-
\$140 000 - \$149 999	-	-	2	-
\$150 000 - \$159 999	2	-	1	-
\$160 000 - \$169 999	1	-	2	-
\$170 000 - \$179 999	2	-	-	-
\$210 000 - \$219 999	-	-	1	-
\$320 000 - \$329 999	1	-	-	-
\$560 000 - \$569 999 **	-	-	1	-
Total Number of Executives/Employees	6	7	7	3

* Based on the Department's executive organisation structure.

** This amount includes the leave entitlement payments made to the former Auditor-General on retirement. The Auditor-General's normal remuneration exceeded \$100 000.

Total remuneration received or receivable by Departmental executives was \$1 158 000 (\$1 556 000). Total remuneration received or receivable by the non-executive employees listed above was \$736 000 (\$318 000).

The employee remuneration figures detailed above include employee remuneration recorded in both the Department's Financial Statements and in the Administered Items Financial Statements of the Department.

17. Remuneration of Auditor	2008	2007
	\$'000	\$'000
Remuneration for audit of financial reports	8	7
Remuneration for other services	-	-
	8	7

18. Financial Instruments
 Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 'Statement of Significant Accounting Policies'.

	2008	2007
	Carrying Amount	Carrying Amount
	\$'000	\$'000
Financial Assets:		
Cash and cash equivalents	2 590	3 113
Financial Liabilities:		
Financial liabilities at amortised cost	728	409

**Statement of Administered Expenses and Income
for the year ended 30 June 2008**

		2008	2007
		\$'000	\$'000
ADMINISTERED EXPENSES:	Note		
Employee expenses	5	665	239
Amounts paid/payable to consolidated account		10 277	9 392
Total Administered Expenses		10 942	9 631
ADMINISTERED INCOME:			
Fees for audit services	A2.2, A4	10 277	9 392
Appropriation - Special Acts		233	563
Total Administered Income		10 510	9 955
NET OPERATING (DEFICIT) SURPLUS		(432)	324

Operating (deficit) surplus is attributable to the SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2008**

		2008	2007
		\$'000	\$'000
ADMINISTERED ASSETS:	Note		
CURRENT ASSETS:			
Cash and cash equivalents	A5.1	1 748	924
Receivables	A2.1	352	425
Total Assets		2 100	1 349
ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	5, A3	122	5
Amounts payable to consolidated account		1 725	929
GST payable		194	220
Total Current Liabilities		2 041	1 154
NON-CURRENT LIABILITIES:			
Employee benefits	5, A3	296	-
Total Non-Current Liabilities		296	-
Total Liabilities		2 337	1 154
NET ADMINISTERED ASSETS		(237)	195
ADMINISTERED EQUITY:			
Opening balance - Surplus (Deficit)		195	(129)
(Decrease) Increase in net assets		(432)	324
TOTAL ADMINISTERED EQUITY		(237)	195

Total administered equity is attributable to the SA Government as owner

Statement of Changes in Administered Equity for the year ended 30 June 2008

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	(129)	(129)
Net Operating Surplus for 2006-07	324	324
Balance at 30 June 2007	195	195
Net Operating Deficit for 2007-08	(432)	(432)
Balance at 30 June 2008	(237)	(237)

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

Statement of Administered Cash Flows for the year ended 30 June 2008

		2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(253)	(563)
Amounts paid to consolidated account		(9 482)	(8 809)
GST paid to ATO		(1 053)	(871)
CASH INFLOWS:			
Fees for audit services	A2.1	11 379	10 286
CASH FLOWS FROM SA GOVERNMENT:			
Appropriations	A4	233	563
Net Cash provided by Operating Activities	A5.2	824	606
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		824	606
CASH AND CASH EQUIVALENTS AT 1 JULY		924	318
CASH AND CASH EQUIVALENTS AT 30 JUNE	A5.1	1 748	924

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Statement of Significant Accounting Policies

All Auditor-General's Department accounting policies are contained in Note 2 'Statement of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and the Administered Financial Statements.

A2. Administered Items

A2.1 Auditing Fees

Section 39 of the PFAA provides for the levying of fees for audit services provided by the Department. These are paid into the Consolidated Account.

	2008 \$'000	2007 \$'000
Fees outstanding at 1 July	425	380
Billings (including GST)	11 306	10 331
Receipts (including GST)	11 731	10 711
Fees outstanding at 30 June	352	425

At 30 June, the value of audit work in progress was \$5 043 000 (\$5 131 000). The Department is of the opinion that this amount is recoverable.

Interest Rate and Credit Risk

Receivables are normally settled within 14 days and are all non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations and there is no concentration of credit risk. The carrying amount of receivables approximates net fair value due to the amounts being payable on demand.

A2.2 Special Acts

Subsection 24(4) of the PFAA, provides that the salary and allowances of the Auditor-General will be determined by the Governor and will be paid from the Consolidated Account which is appropriated for that purpose and the necessary extent.

A3. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Salaries	6	5
Annual leave	116	-
Total Current	122	5
Non-Current:		
Long service leave	296	-
Total Non-Current	296	-
Total Employee Benefits	418	5

A4. Funding of the Administered Items

A summary of administered items appropriations for the year is set out below.

Appropriations:		
Special Acts	233	563
	233	563

A5. Notes to the Administered Statement of Cash Flows**A5.1 Reconciliation of Cash and Cash Equivalents**

Cash and Cash Equivalents at 30 June per:

Balance Sheet	1 748	924
Cash Flow Statement	1 748	924

A5.2 Reconciliation of Net Operating Surplus to Net Cash provided by Operating Activities

Net operating (deficit) surplus	(432)	324
Decrease (Increase) in receivables	73	(45)
Increase (Decrease) in employee benefits	413	(324)
Increase in amounts payable to the Consolidated Account	796	583
(Decrease) Increase in GST payable	(26)	68
Net Cash provided by Operating Activities	824	606

A6. Specific Disclosure

The following discloses revenues, expenses, assets and liabilities where the counter party/transaction is with an entity within the SA Government or a non-SA Government entity as at the reporting date.

	SA Government		Non-SA Government	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Income excluding appropriations	9 146	8 430	1 131	962
Expenses	10 277	9 392	665	239
Financial assets	2 022	1 349	78	-
Financial liabilities	1 725	929	194	220

DEPARTMENT FOR CORRECTIONAL SERVICES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Correctional Services (the Department) is an administrative unit established pursuant to the PSM Act. The Department is responsible to the Minister for Correctional Services.

Functions

The primary function of the Department is to work to maintain a safer community while contributing to rebuilding lives affected by crime. For details of the Department's functions refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- expenditure
- payroll
- revenue, including kitchen, canteen and PRIME (prison industries) revenue
- purchase cards
- contract management
- inventory
- property, plant and equipment
- financial accounting
- governance and risk management.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Department for Correctional Services as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure and revenue, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Correctional Services have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were raised in management letters to the officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. The main matters raised with the Department are outlined below.

Expenditure

Audit review identified a number of issues relating to expenditure. The significant matters identified were:

- the financial authorisations document for the 2007-08 financial year was not approved until December 2007
- instances identified where Departmental officers had approved the payment of invoices where they only held a purchase order delegation.

The Department has responded to the above matters indicating that the financial authorisations have been approved for the 2008-09 financial year and that the revised financial authorisations document more clearly supports the approval of purchases and expenditure within the Department.

Revenue

Audit review identified a number of control weaknesses with regard to the completeness of recording of revenue raised, particularly with regard to PRIME (prison industries) revenue. The main weaknesses were:

- a lack of independent review for PRIME invoices raised
- policies and procedures relating to PRIME revenue raising and collection had not been updated to reflect the current invoicing arrangements
- sequentially numbered cart notes for PRIME delivered goods were not necessarily being used in order and were not being accounted for.

The Department has responded to the issues raised, indicating that a new Request for Invoice process has been used by PRIME since June 2008, with PRIME administration officers receiving a copy of the invoice raised as a result of the Request for Invoice form. The Department also noted that a register of financial policies and procedures would be established and documentation reviewed and updated. The Department has also reinforced to PRIME SA staff that cart notes are to be used in sequential order and to establish and evidence complete accountability of cartnotes.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 \$'million	2007 \$'million	Percentage Change
EXPENSES			
Employee benefits expenses	107.8	97.7	10
Supplies and services	47.2	40.3	17
Other expenses	17.1	15.6	10
Total Expenses	172.1	153.6	12
INCOME			
Income from prison labour and canteen and kitchen sales	5.3	4.4	20
Other income	4.8	4.7	2
Total Income	10.1	9.1	11
Net Cost of Providing Services	162.0	144.5	12

	2008	2007	Percentage
	\$'million	\$'million	Change
Revenue from SA Government	160.9	144.1	12
Net Result	(1.1)	(0.4)	-
ASSETS			
Current assets	20.5	21.4	(4)
Non-current assets*	248.6	222.6	12
Total Assets	269.1	244.0	10
LIABILITIES			
Current liabilities	22.9	21.0	9
Non-current liabilities	35.7	36.7	(3)
Total Liabilities	58.6	57.7	2
EQUITY	210.5	186.3	13

* Includes biological assets

Income Statement

Income

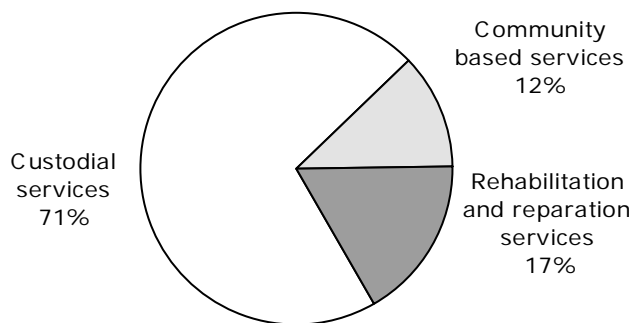
Total income increased by \$931 000 to \$10.1 million principally due to additional income from prison labour services.

Expenses

Total expenses increased by \$18.5 million, or 12 percent, to \$172.1 million (\$153.6 million). This increase mainly reflects:

- an increase in employee benefits expenses of \$10.1 million to \$107.8 million (\$97.7 million). This increase was due mainly to award increases and additional custodial staff
- an increase in supplies and services of \$6.9 million to \$47.2 million (\$40.3 million) resulting primarily from an increase in consultants expenses of \$2.2 million, contract expenses of \$1.2 million and payments to other government agencies of \$1.2 million.

The largest component of the Department’s expenditure relates to custodial (ie prison) services. The proportion of expenses on the different programs has remained relatively stable each year. The following chart shows expenditure by program for 2007-08.

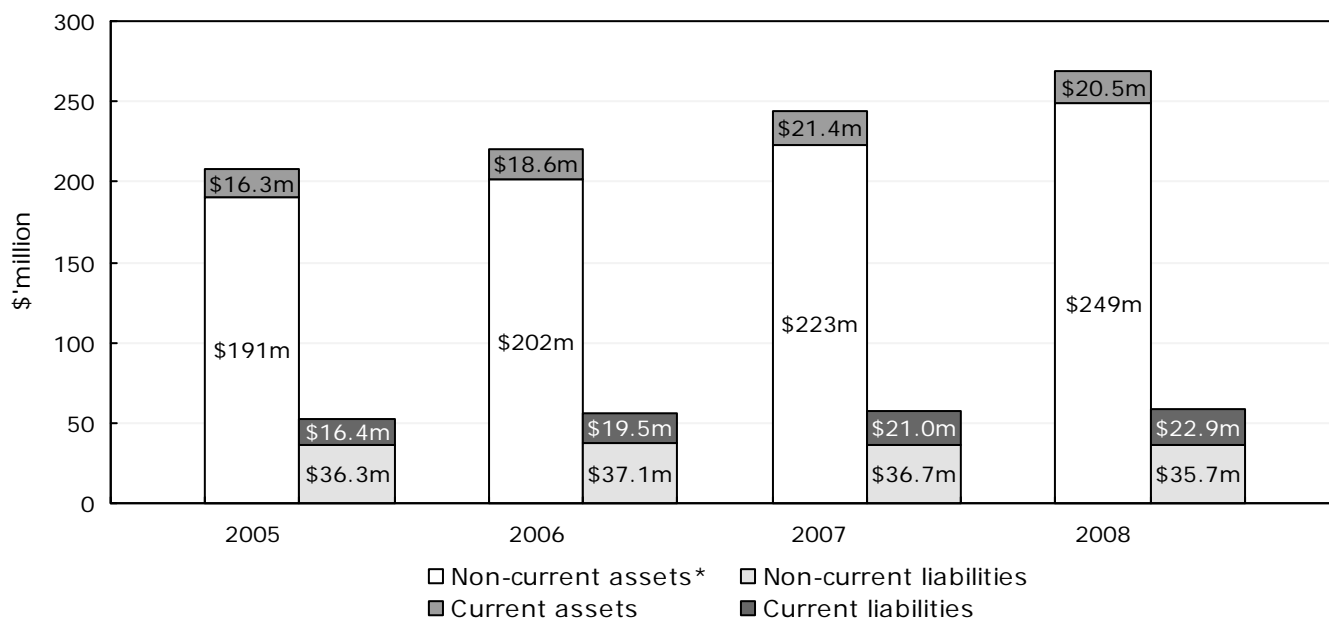


Net Cost of Providing Services

The net cost of services increased by 12 percent to \$162 million (\$144.5 million). The increase is mainly a result of the increase in employee benefits previously discussed, combined with other expenses related to increased prisoner numbers and additional expenditure (consultancy, advice and other services provided by other government agencies and sundry type expenditure) related to the New Prisons Project.

Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



The chart shows that the largest component of the Department's Balance Sheet is its non-current assets, mainly the prison infrastructure. The increase of \$26 million in non-current assets from 2007 to 2008 is principally the result of a revaluation of all Departmental land and buildings performed as at 30 June 2008 and an increase in the value of Capital Works in Progress.

Cash Flow Statement

The following table summarises the net cash flows for the four years to 2008.

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operating Activities	8.5	8.1	6.8	8.3
Investing Activities	(9.5)	(5.5)	(4.0)	(9.3)
Change in Cash	(1)	2.6	2.8	(1.0)
Cash at 30 June	18.3	19.3	16.7	13.9

During the year cash decreased by \$1 million to \$18.3 million. Of this amount \$9.5 million is held in the Department of Treasury and Finance Special Deposit Account 'Accrual Appropriation Excess Funds - Department for Correctional Services'. Access to these funds is subject to the Treasurer's or Under Treasurer's approval.

FURTHER COMMENTARY ON OPERATIONS

Service Contracts

The Department utilises service contracts for Prisoner Movement and In-Court Management, Home Detention Monitoring and Management of the Mount Gambier Prison. The Department has commitments in respect of these contracts for up to two years (refer Note 28 to the Financial Statements).

The status of these contracts follows.

Prisoner Movement and In-Court Management

This contract expired on 30 June 2007 and was initially extended for 12 months until 30 June 2008. On 1 July 2008 the contract was extended for a further 12 months under the same terms and conditions established in the original contract. The new contract expires on 30 June 2009.

Home Detention Monitoring

This contract expired on 10 May 2007 and was extended on 11 May 2007 for a two year period, continuing the same terms and conditions. This contract is due to expire on 10 May 2009.

Management of the Mount Gambier Prison

This contract commenced on 22 December 2005 and is due to expire on 21 December 2010.

Public Private Partnership - New Prisons and Secure Facilities Project

In November 2007, Cabinet approved the calling for Expressions of Interest from the private sector for the procurement of new prisons and other facilities under a Public Private Partnership (PPP) procurement arrangement.

This project termed the New Prisons and Secure Facilities (NPSF) Project, comprises the following new developments:

- a men's prison and women's prison at Mobilong with a co-located Forensic Mental Health Centre
- a youth detention and a pre-release centre at Cavan

The Request for Proposal documentation was issued to short listed proponents in July 2008. Detailed proposals are to be presented back to the Government by the end of 2008 for evaluation and subsequent selection of a preferred bidder in early 2009 and contractual close to occur around mid 2009. It is anticipated that the facilities will be commissioned across 2010 and 2011.

Project expenditure incurred by the Department during 2007-08 totalled \$3.8 million. This comprised \$3.2 million relating to consultants and other government agency assistance, and \$600 000 associated with Departmental project management and administration.

Further commentary on PPP developments is contained in Part A 'Audit Overview' of this Report.

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
EXPENSES:			
Employee benefit expenses	6	107 776	97 701
Supplies and services	7	47 165	40 268
Depreciation and amortisation expense	8	8 703	7 608
Payments to prisoners		2 340	2 124
Accommodation and associated lease costs		5 003	4 529
Grants	9	858	867
Net loss from disposal of assets	10	18	70
Other expenses	11	196	464
Total Expenses		172 059	153 631
INCOME:			
Prison labour	13	2 729	1 992
Salaries and goods and services recoups		1 035	1 212
Interest revenues		1	2
Commonwealth and Northern Territory grants and recoups		417	625
Canteen and kitchen sales	14	2 610	2 395
Other income	15	3 293	2 928
Total Income		10 085	9 154
NET COST OF PROVIDING SERVICES		161 974	144 477
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Payments to SA Government	16	(2 017)	-
Revenues from SA Government	16	162 842	144 073
NET RESULT		(1 149)	(404)

Net result is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2008**

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	18 332	19 324
Receivables	18	1 529	1 544
Inventories	19	635	630
Total Current Assets		20 496	21 498
NON-CURRENT ASSETS:			
Property, plant and equipment	20	236 190	215 734
Capital works in progress	21	12 196	6 485
Intangible assets	22	52	156
Biological assets	23	212	203
Total Non-Current Assets		248 650	222 578
Total Assets		269 146	244 076
CURRENT LIABILITIES:			
Payables	24	5 744	5 314
Employee benefits	25	11 204	9 528
Provisions	26	5 957	6 204
Total Current Liabilities		22 905	21 046
NON-CURRENT LIABILITIES:			
Payables	24	1 505	1 419
Employee benefits	25	16 194	14 478
Provisions	26	18 026	20 801
Total Non-Current Liabilities		35 725	36 698
Total Liabilities		58 630	57 744
NET ASSETS		210 516	186 332
EQUITY:			
Retained earnings	27	101 594	102 743
Prisoner amenities fund reserve	27	161	141
Asset revaluation reserve	27	108 761	83 448
TOTAL EQUITY		210 516	186 332
Total equity is attributable to the SA Government as owner			
Commitments	28		
Contingent liabilities	29		

Statement of Changes in Equity for the year ended 30 June 2008

	Prisoner Amenities Fund Reserve	Asset Revaluation Reserve	Retained Earnings	Total
Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2006	121	60 401	103 147	163 669
Gain on revaluation of land and buildings during 2006-07	-	23 047	-	23 047
Net changes in reserves	20	-	-	20
Net income/expense recognised directly in equity for 2006-07	20	23 047	-	23 067
Net result for 2006-07	-	-	(404)	(404)
Total recognised income and expense for 2006-07	-	-	(404)	(404)
Balance at 30 June 2007	27 141	83 448	102 743	186 332
Gain on revaluation of land and buildings during 2007-08	-	25 313	-	25 313
Net changes in reserves	20	-	-	20
Net income/expense recognised directly in equity for 2007-08	20	25 313	-	25 333
Net result for 2007-08	-	-	(1 149)	(1 149)
Total recognised income and expense for 2007-08	-	-	(1 149)	(1 149)
Balance at 30 June 2008	27 161	108 761	101 594	210 516

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

**Cash Flow Statement
for the year ended 30 June 2008**

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(107 655)	(97 719)
Supplies and services		(51 429)	(43 826)
Prisoner payments		(2 340)	(2 124)
Grants		(858)	(867)
GST payments on purchases		(5 533)	(4 654)
GST remitted to ATO		(564)	-
Other payments		(194)	(420)
Cash used in Operations		(168 573)	(149 610)
CASH INFLOWS:			
Receipts from prison labour		2 729	2 012
Interest received		1	24
GST recovered from the ATO (receipts on receivables)		588	599
GST recovered from the ATO (input tax credits)		5 454	3 986
Other receipts		7 454	6 997
Cash generated from Operations		16 226	13 618
CASH FLOWS FROM (TO) SA GOVERNMENT:			
Payments to SA Government		(2 017)	-
Receipts from SA Government		162 842	144 073
Cash generated from SA Government		160 825	144 073
Net Cash provided by Operating Activities	32	8 478	8 081
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(9 475)	(5 478)
Cash used in Investing Activities		(9 475)	(5 478)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		5	4
Cash generated from Investing Activities		5	4
Net Cash used in Investing Activities		(9 470)	(5 474)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(992)	2 607
CASH AND CASH EQUIVALENTS AT 1 JULY		19 324	16 717
CASH AND CASH EQUIVALENTS AT 30 JUNE	32	18 332	19 324

**Program Schedule of Expenses and Income
for the year ended 30 June 2008**

	2008			Total
	1	2	3	
Programs (refer Note 5)	1	2	3	Total
EXPENSES:	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	72 140	15 443	20 193	107 776
Supplies and services	38 865	3 011	5 289	47 165
Depreciation and amortisation expense	7 471	249	983	8 703
Payments to prisoners	1 939	-	401	2 340
Accommodation and associated lease costs	1 953	1 931	1 119	5 003
Grants	344	79	435	858
Net loss from disposal of non-current assets	18	-	-	18
Other expenses	151	21	24	196
Total Expenses	122 881	20 734	28 444	172 059
INCOME:				
Prison labour	-	-	2 729	2 729
Salaries and goods and services recoups	215	109	711	1 035
Interest revenues	1	-	-	1
Commonwealth and Northern Territory grants and recoups	-	417	-	417
Canteen and kitchen sales	2 610	-	-	2 610
Other income	2 270	485	538	3 293
Total Income	5 096	1 011	3 978	10 085
NET COST OF PROVIDING SERVICES	117 785	19 723	24 466	161 974
REVENUES FROM (PAYMENTS TO)				
SA GOVERNMENT:				
Revenues from SA Government	115 887	20 057	24 881	160 825
NET RESULT	(1 898)	334	415	(1 149)

	2007			Total
	1	2	3	
Programs (refer Note 5)	1	2	3	Total
EXPENSES:	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	64 231	14 444	19 026	97 701
Supplies and services	31 292	3 793	5 183	40 268
Depreciation and amortisation expense	6 467	245	896	7 608
Payments to prisoners	1 740	-	384	2 124
Accommodation and associated lease costs	2 524	1 181	824	4 529
Grants	347	78	442	867
Net loss from disposal of non-current assets	9	30	31	70
Other expenses	321	58	85	464
Total Expenses	106 931	19 829	26 871	153 631
INCOME:				
Prison labour	-	-	1 992	1 992
Salaries and goods and services recoups	259	134	819	1 212
Interest revenues	2	-	-	2
Commonwealth and Northern Territory grants and recoups	-	625	-	625
Canteen and kitchen sales	2 395	-	-	2 395
Other income	2 015	410	503	2 928
Total Income	4 671	1 169	3 314	9 154
NET COST OF PROVIDING SERVICES	102 260	18 660	23 557	144 477
REVENUES FROM (PAYMENTS TO)				
SA GOVERNMENT:				
Revenues from SA Government	102 007	18 608	23 458	144 073
NET RESULT	(253)	(52)	(99)	(404)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Correctional Services

The Department for Correctional Services (the Department) is an administrative unit established pursuant to the PSM Act.

The Department contributes to a safer community by working in partnership with other criminal justice organisations and the community to prevent crime and reduce repeat offending.

The Department safely, securely and humanely manages people ordered by the courts to serve a community based or prison sanction and provides them with opportunities to lead law-abiding and productive lives.

2. Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AAS and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. Refer Note 4.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information for the year ended 30 June 2007.

(c) Reporting Entity

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

The financial report includes all the controlled activities of the Department for Correctional Services. The transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered resources are insignificant in relation to the Department's overall financial performance and position, they are disclosed in Note 33. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Rounding

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

(f) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST and emergency services levy.

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

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

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

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

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

(g) Events After Balance Date

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(h) Income and Expenses

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

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

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

Income

The following are specific recognition criteria:

Disposal of Non-Current Assets

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

Any gain (loss) on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction of proceeds of the asset at that time.

Revenues from SA Government

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

Resources received/provided Free of Charge

Resources received/provided free of charge are recorded as income and expenditure in the Income Statement at their fair value. Resources provided free of charge are recorded in the expense line items to which they relate.

Grants Received/Paid

Grants paid are amounts provided by the Department to entities for general assistance or for a particular purpose. Such grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. Grants received are recognised as income at the time the Department obtains control over the funds. Grants paid/received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation governing the provision of the grant.

Expenses

Employee Benefits

Employee benefit expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

Payments to SA Government

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

(i) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature.

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

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

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet include cash at bank and on hand and cash equivalents that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(k) Receivables

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

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

(l) Inventories

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

Inventory in institutional stores is held for distribution at no cost and is measured at cost and adjusted when applicable for any loss of service potential.

Inventory held in Prison canteens is held for sale at nominal cost and is measured at cost and assigned on the basis of average cost.

Inventory held by PRIME is measured at historical cost.

(m) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

Since the Department controls a large number of low value items, the cost of accounting for the capitalisation of items costing less than \$10 000 is expected to outweigh the benefits that would be gained from reporting this information. As a result, items with an acquisition cost less than \$10 000 are expensed in the period in which they are acquired.

(m) Non-Current Asset Acquisition and Recognition (continued)

Capital Works in Progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as buildings, plant or equipment and are valued at cost.

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

(n) Revaluation of Non-Current Assets

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

Every three years, a full revaluation of the Department's land, buildings and leasehold improvements is undertaken. A 'desk-top' revaluation is undertaken by a licensed valuer for the two interim years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

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

Upon disposal or derecognition, any Asset Revaluation Reserve relating to that asset is transferred to Retained Earnings.

(o) Impairment

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

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

(p) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land is not depreciated.

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Plant and equipment	Straight Line	4-20
Buildings (including prisons)	Straight Line	1-60
Intangibles	Straight Line	3-5
Leasehold improvements	Straight Line	Life of lease

(q) Intangible Assets

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

(q) Intangible Assets (continued)

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

The acquisition of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits), the recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

(r) Payables

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

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

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

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

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

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

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

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

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

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

Unclaimed salaries and wages have been included as a current liability for employee benefits.

Employee Benefit On-costs

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

Provisions

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

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

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

(t) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into a number of operating lease agreements for buildings and motor vehicles.

Operating Leases

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

The Department does not have any finance lease agreements.

(u) Biological Assets

Biological assets such as cattle and sheep are measured at fair value less estimated point of sales costs. The fair value is determined based on current market values of the biological assets.

The olive grove is measured at cost.

The Department accounts for these items in accordance with AASB 141.

(v) Prisoner Amenities Fund

Net proceeds from the sale of canteen goods to prisoners are used for the acquisition of items for the benefit of prisoners. The net proceeds are accounted for in the Prisoner Amenities Fund.

(w) Payments to Prisoners

These include payments made on behalf of prisoners and payments made to prisoners upon release.

3. Financial Risk Management

The Department has significant non-interest bearing assets (cash on hand, receivables and cash held by Department of Treasury and Finance) and liabilities (payables). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

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

4. Changes in Accounting Policies

AASs and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2008.

The Department has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial report of the Department.

5. Programs of the Department

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

Program 1 - Custodial Services

The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The Custodial Services program includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.

Program 2 - Community Based Services

The Department case manages and supervises offenders in the community on probation, parole or under home detention and clients on supervised bail.

Program 3 - Rehabilitation and Reparation Services

The Department provides a range of educational, vocational and rehabilitative programs designed to assist offenders to address their offending behaviour and provide them with opportunities to lead law abiding and productive lives.

6. Employee Benefit Expenses

	2008	2007
	\$'000	\$'000
Salaries and wages	80 408	72 083
Employment on-costs - Superannuation	8 645	7 983
Employment on-costs - Payroll tax	5 191	4 991
Workers compensation salary payments	3 354	3 084
Annual leave	6 950	6 202
Long service leave	3 155	3 342
Termination payments	73	16
Total Employee Benefit Expenses	107 776	97 701

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2008	2007
	Number of Employees	Number of Employees
\$100 000 - \$109 999	28	9
\$110 000 - \$119 999	5	2
\$120 000 - \$129 999	1	4
\$130 000 - \$139 999	1	3
\$140 000 - \$149 999	2	2
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	-	2
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	1	-
\$190 000 - \$199 999	1	1
\$240 000 - \$249 999	-	1
\$280 000 - \$289 999	1	-
Total Number of Employees	41	25

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$4 871 000 (\$3 315 000).

There was no increase in the number of Executives in the Department in 2007-08.

Targeted Voluntary Separation Packages (TVSPs)

No TVSPs were provided to any Department employees in 2007-08 (nil).

7. Supplies and Services

Supplies and Services provided:

	2008	2007
	\$'000	\$'000
Contracts ⁽¹⁾	13 316	12 106
Works and equipment costs	4 026	4 702
Offender related costs	4 777	4 112
Travel expenses	1 050	693
Utilities	4 610	4 286
Cost of goods sold	5 780	5 132
OHS&W expenses	272	179
Staff related costs	1 299	961
Workers compensation related payments	198	165
IT costs	3 339	3 405
Insurance charges	810	868
Consultants ⁽²⁾	2 557	318
Contracted Staff	1 164	983
Sundry other expenses	3 967	2 358
Total Supplies and Services⁽³⁾	47 165	40 268

(1) The main contracts for the Department include the Mount Gambier Prison Management, Prisoner Movement and In Court Management, Electronic Monitoring Services South Australia and the Mobilong Fee for Service contracts.

(2) 2007-08 includes \$2 743 000 associated with the New Prison and Secure Facilities project.

(3) Supplies and services expenses included \$8 543 000 to South Australian Government entities in 2007-08.

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

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	4	18	2	14
Between \$10 000 and \$50 000	6	98	2	62
Above \$50 000	4	2 441	3	242
	14	2 557	7	318

8. Depreciation and Amortisation Expense

Depreciation:

	2008	2007
	\$'000	\$'000
Buildings	8 112	7 095
Plant and equipment	271	274
Total Depreciation	8 383	7 369

Amortisation:

Leasehold improvements	216	137
Intangible assets	104	102
Total Amortisation	320	239
Total Depreciation and Amortisation	8 703	7 608

9. Grants		2008	2007					
	Grants paid or payable to entities external to the SA Government:	\$'000	\$'000					
	Recurrent grant	858	867					
	Total Grants Provided	858	867					
10. Net Loss from Disposal of Assets	Plant and Equipment:							
	Proceeds from disposal of non-current assets	(5)	(4)					
	Add: Net book value of assets disposed	23	74					
	Net Loss from Disposal of Plant and Equipment	18	70					
11. Other Expenses	Other Expenses paid or payable to Entities within the SA Government:							
	Bad and doubtful debts expense	-	44					
	Total Other Expenses - SA Government Entities	-	44					
	Other Expenses paid or payable to Entities external to the SA Government:							
	Bank charges	12	9					
	FBT	308	254					
	Other	(124)	157					
	Total Other Expenses - Non-SA Government Entities	196	420					
	Total Other Expenses	196	464					
12. Auditor's Remuneration	Audit fees paid/payable to the Auditor-General's Department							
	Total Audit Fees	99	96					
		99	96					
	<i>Other Services</i>							
	No other services were provided by the Auditor-General's Department.							
13. Net Income (Loss) from Prison Labour								
	Yatala Labour Prison		Mabilong Prison		Cadell Training Centre		Adelaide Women's Prison/Pre-release Centre	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income	899	667	1 430	1 008	106	172	38	29
Less: Cost of goods sold	492	481	1 406	1 267	528	445	55	39
Net Income (Loss)	407	186	24	(259)	(422)	(273)	(17)	(10)
	Port Augusta Prison		Port Lincoln Prison		Total			
	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income	44	36	212	80	2 729	1 992	2 611	1 992
Less: Cost of goods sold	41	38	89	60	2 611	2 330	2 611	2 330
Net Income (Loss)	3	(2)	123	20	118	(338)	118	(338)
	Income includes \$752 000 resulting from work undertaken by prisoners for projects that are part of the Capital Works Program.							
14. Net Income from Canteen and Kitchen Sales			2008	2007				
			\$'000	\$'000				
	Canteen and kitchen sales		2 610	2 395				
	Less: Cost of goods sold		2 434	2 240				
	Net Income from Canteen and Kitchen Sales		176	155				
15. Other Income	Other Income received from the Entities within the SA Government							
	Grants received		1 647	1 013				
	Revenue from recoveries		140	172				
	Total Other Income - SA Government Entities		1 787	1 185				
	Other Income Received from Entities External to the SA Government							
	Prisoner telephone receipts		832	740				
	Sales revenue		334	313				
	Revenue from recoveries		239	535				
	Other		101	155				
	Total Other Income - Non-SA Government Entities		1 506	1 743				
	Total Other Income		3 293	2 928				

16. Revenues from/Payments to SA Government	2008	2007
Revenues from SA Government	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> and other revenues from the Consolidated Account	162 842	144 073
Total Revenues from SA Government	162 842	144 073

Payments to SA Government:

Return of surplus cash pursuant to cash alignment policy	2 017	-
Total Payments to SA Government	2 017	-

17. Cash and Cash Equivalents	2008	2007
Deposits with the Treasurer	18 297	19 289
Prison Imprest Accounts	28	28
Petty cash	7	7
Total Cash and Cash Equivalents	18 332	19 324

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account totalling \$9 469 000 (\$10 370 000). The balance of this fund is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

During 2007-08 the Department transferred \$2 017 000 (\$nil) of its cash balance to the Consolidated Account in accordance with the Cash Alignment Policy.

Interest Rate Risk

Petty cash and deposits at call and with the Treasurer are non-interest bearing. Prison imprest accounts earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash approximates fair value.

18. Receivables	2008	2007
Current:	\$'000	\$'000
Receivables	700	522
Less: Provision for doubtful debts	-	48
	700	474
Accrued revenue	65	6
GST receivable	759	737
Prepayments	5	327
Total Receivables	1 529	1 544

Receivables from SA Government Entities:

Receivables	200	80
Accrued revenue	60	-
Total Receivables from SA Government Entities	260	80

Receivables from Non-SA Government Entities:

Receivables	500	394
Accrued revenue	5	6
GST receivable	759	737
Prepayments	5	327
Total Receivables from Non-SA Government Entities	1 269	1 464
Total Receivables	1 529	1 544

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other Expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2008	2007
Movements in the Provision for Doubtful Debts (Impairment Loss):	\$'000	\$'000
Carrying amount at 1 July	48	9
Decrease in the provision	(47)	45
Amounts written-off	(1)	(6)
Carrying Amount at 30 June	-	48

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

There is no concentration of credit risk.

The Department does not have any material interest bearing assets and liabilities and is not exposed to any interest rate risk.

19. Inventories	2008	2007
Current - Held for Distribution:	\$'000	\$'000
Stores	294	271
Total Current Inventories Held for Distribution	294	271
Current - Other than those Held for Distribution:		
Raw materials and work in progress	261	292
Finished goods	77	65
Stores	3	2
Total Current Inventories Other than those Held for Distribution	341	359
Total Current Inventories	635	630
20. Property, Plant and Equipment		
Land and Buildings:		
Land at fair value (market value)	58 904	51 601
Land at fair value (existing use)	15 283	14 974
Buildings at fair value	375 406	338 950
Accumulated depreciation	(217 513)	(194 126)
Total Land and Buildings	232 080	211 399
Leasehold Improvements:		
Leasehold improvements at fair value	2 900	2 853
Accumulated amortisation	(538)	(322)
Total Leasehold Improvements	2 362	2 531
Plant and Equipment:		
Plant and equipment at fair value	4 331	4 165
Accumulated depreciation	(2 583)	(2 361)
Total Plant and Equipment	1 748	1 804
Total Property, Plant and Equipment	236 190	215 734

Valuation of Land and Buildings

The valuation of land and buildings was performed by Andrew Lucas of Valcorp as at 30 June 2008. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use. Where land was held to support on-going operations of the entity, the land was valued at its existing use.

Land at Yatala Labour Prison, Adelaide Women's Prison and Adelaide Pre-Release Centre was determined on the basis of Market Value as the land will not be held in the long-term for the existing use. This is due to the New Prison development that is expected to be completed in the next four years.

Impairment

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2008.

Reconciliation of Property, Plant and Equipment

The following table shows movement in property, plant and equipment during 2007-08:

	Land and Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Carrying amount at 1 July	211 399	2 531	1 804	215 734
Additions	-	39	98	137
Transfers from capital works in progress	3 496	9	142	3 647
Disposals	-	-	(23)	(23)
Revaluation increment	25 313	-	-	25 313
Depreciation and amortisation	(8 112)	(216)	(271)	(8 599)
Other movements	(16)	(1)	(2)	(19)
Carrying Amount at 30 June	232 080	2 362	1 748	236 190

21. Capital Works in Progress	2008	2007
Capital Works in Progress projects	\$'000	\$'000
	12 196	6 485
Total Capital Works in Progress	12 196	6 485

Amounts recognised in relation to Capital Works in Progress projects relate to various capital works projects including Adelaide Remand Centre air conditioning refurbishment, Mount Gambier and Port Lincoln prison kitchens, electronic systems, intercom upgrades and the works associated with the installation of additional beds at several prisons.

22. Intangible Assets	2008	2007
Software Licences:	\$'000	\$'000
Software licences	346	346
Accumulated amortisation	(294)	(190)
Total Software Licences	52	156
Carrying amount at 1 July	156	258
Amortisation	(104)	(102)
Carrying Amount at 30 June	52	156

23. Biological Assets			2008
	Livestock	Olive Grove	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July	88	115	203
Increases due to purchases	4	-	4
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	29	9	38
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	1	-	1
Decreases due to sales	(25)	(9)	(34)
Carrying Amount at 30 June	97	115	212

Livestock

Currently there are 147 cattle and sheep held at Cadell Training Centre and Port Lincoln Prison for the purpose of milk and meat production for internal use within the prison system. The cattle and sheep are at various stages of life. As at reporting date there are no commitments for the development or acquisition of livestock.

Financial risk is considered to be extremely low with any losses being absorbed in the year of exposure. No government grants have been issued in relation to the livestock.

Plants

The olive grove is situated on approximately 33 ha of land at the Cadell Training Centre. The grove has been developed to produce commercially viable olive oil. The first harvest of olives was undertaken in the 2007-08 financial year.

24. Payables	2008	2007
Current:	\$'000	\$'000
Creditors and unearned revenue	1 943	2 152
Accrued expenses	2 092	1 582
GST payable	6	39
Employment on-costs	1 703	1 541
Total Current Payables	5 744	5 314
Non-Current:		
Employment on-costs	1 505	1 419
Total Non-Current Payables	1 505	1 419
Total Payables	7 249	6 733
Payables to SA Government Entities:		
Creditors	563	294
Accrued expenses	1 276	672
Total Payables to SA Government Entities	1 839	966
Payables to Non-SA Government Entities:		
Creditors	1 379	1 858
Accrued expenses	817	910
GST payable	6	39
Employment on-costs	3 208	2 960
Total Payables to Non-SA Government Entities	5 410	5 767
Total Payables	7 249	6 733

Interest Rate and Credit Risk

Creditors and accruals are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit they relate to is discharged.

All payables are non-interest bearing.

The carrying amount of payables represents fair value due to the amounts being payable on demand.

25. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Annual leave	6 844	5 935
Long service leave	1 768	1 585
Accrued salaries and wages	2 588	2 004
Unclaimed salaries and wages	4	4
Total Current Employee Benefits	11 204	9 528
Non-Current:		
Annual leave	281	211
Long service leave	15 913	14 267
Total Non-Current Employee Benefits	16 194	14 478
Total Employee Benefits	27 398	24 006

The total current and non-current employee liability (ie aggregate employee benefit plus related on costs) for 2008 is \$12 907 000 and \$17 699 000 respectively.

Based on an actuarial assessment performed by Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability is 6.5 years.

26. Provisions	2008	2007
Current:	\$'000	\$'000
Workers compensation - Medical and other costs	2 931	2 927
Workers compensation - Income maintenance	3 026	3 277
Total Current Provisions	5 957	6 204
Non-Current:		
Workers compensation - Medical and other costs	7 352	7 607
Workers compensation - Income maintenance	10 674	13 194
Total Non-Current Provisions	18 026	20 801
Total Provisions	23 983	27 005
Carrying Amount at 1 July:	27 005	29 553
Workers compensation payments	(6 255)	(5 535)
Increase in the provision	3 233	2 987
Carrying Amount at 30 June	23 983	27 005

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The Department's liability is an allocation of the Justice Portfolio's total liability.

27. Equity	2008	2007
	\$'000	\$'000
Retained earnings	101 594	102 743
Asset revaluation reserve	108 761	83 448
Prisoner Amenities Fund reserve	161	141
Total Equity	210 516	186 332

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of.

The Prisoner Amenities Fund reserve reflects the funds available to purchase amenities, such as gym equipment, for the specific benefit and use of Prisoners. Prison canteen net profit less any associated prisoner amenities expenditure incurred during the financial year is transferred to the fund at year end.

28. Commitments		
<i>Remuneration Commitments</i>		
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
	2008	2007
	\$'000	\$'000
Within one year	1 456	1 293
Later than one year but not later than five years	2 491	2 286
Total Remuneration Commitments	3 947	3 579

Amounts disclosed include commitments arising from executive and other limited tenure employment contracts. The Department does not offer remuneration contracts greater than five years.

Contract Service Commitments	2008	2007
	\$'000	\$'000
Within one year	13 574	12 651
Later than one year but not later than five years	8 183	13 164
Total Contract Service Commitments	21 757	25 815

The Prisoner Movement and In-Court Management and Mobilong Fee for Service contracts were extended on 1 July 2008 for a further 12 months under the same terms and conditions. The new contracts expire on 30 June 2009.

The Home Detention Monitoring contract was extended on 11 May 2007 for a two year period under the same terms and conditions. The new contract expires on 10 May 2009.

The management of Mount Gambier Prison contract is due to expire on 21 December 2010.

The above contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are noted above.

The above figures:

- are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, and as a result are not adjusted for inflation and are based on 2007-08 prisoner populations
- are exclusive of GST.

Operating Lease Commitments	2008	2007
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2 969	2 831
Later than one year but not later than five years	3 775	5 252
Later than five years	956	1 513
Total Operating Lease Commitments	7 700	9 596

The Department's operating leases are for office accommodation and for motor vehicles. Office accommodation is leased from Building Management – Accommodation and Property Services, a branch of the Department for Transport, Energy and Infrastructure (DTEI). Motor vehicles are leased from Fleet SA. The leases are non-cancellable and are payable monthly in advance.

29. Contingent Liabilities

The Department has a number of common law claims made against it by various claimants. The maximum exposure facing the Department in respect of these claims is \$291 000 (\$228 000).

These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible but not probable.

The Department has a potential financial exposure in respect of a possible under payment of recreation leave loading entitlements to seven-day roster Correctional Officers employed under the PSM Act, and Part 9 of the S.A. Public Sector Salaried Employees Interim Award. This is disclosed as a contingent liability as its potential value had not been reliably determined at balance date.

30. Remuneration of Directors and Related Party Disclosure

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Parole Board

Frances Nelson (Presiding Member)	David Haebich
Andrew Kyprianou	Janina Gipslis
Timothy Bourne	Janice Steinert
Robin Durant	Garth Dodd (appointed 18 December 2007)
Vanessa Swan	Denis Edmonds
George Tongerie (until 17 December 2007)	

Department for Correctional Services

Advisory Council

Ian Shephard (Presiding Member)	John Forster
Lindsay Thompson	Rosemary Wanganeen (until 19 August 2007)
Helena Jasinski	Joyleen Thomas (appointed 21 February 2008)
Elizabeth Anne Bachmann	

Prisoner Assessment Committee

Elizabeth Anne Bachmann	Lorraine Williams
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30. Remuneration of Directors and Related Party Disclosure (continued)

The number of members whose income from the entity falls within the following bands:

	2008	2007
	Number of Members	Number of Members
\$1 - \$9 999	9	9
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	5	5
\$30 000 - \$39 999	1	1
Total Number of Members	17	17

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by Board Members was \$225 000 (\$203 000).

Amounts paid to a superannuation plan for Board Members was \$25 000 (\$17 000).

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board duties during the financial year.

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

31. Trust Funds

The Department holds prisoner monies in a trustee capacity. These monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	2008	2007
	\$'000	\$'000
Balance at 1 July	362	331
Prisoner monies receipts	4 864	4 354
Prisoner monies payments	(4 704)	(4 323)
Balance at 30 June	522	362

32. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June as per:

Cash Flow Statement	18 332	19 324
Balance Sheet	18 332	19 324

Reconciliation of Net Cash Provided by Operating Activities to Net Cost of Providing Services

Net cash provided by operating activities	8 478	8 081
Add: Net Amenities Fund reserve payments	(20)	(20)
Add: Revenues from SA Government	(160 825)	(144 073)
Add: Non-Cash Items:		
Net Loss on disposal of assets	(18)	(70)
Depreciation and amortisation expense	(8 703)	(7 608)
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	(15)	310
Increase in inventories	5	29
Increase (Decrease) in biological assets	9	(13)
Increase in payables	(516)	(1 367)
Increase in employee benefits	(3 391)	(2 294)
Decrease in provisions	3 022	2 548
Net Cost of Providing Services	(161 974)	(144 477)

33. Disclosure of Administered Items

Administered Income:

Revenues from Victims of Crime Levy	87	79
Other	2	1
Total Administered Income	89	80

Administered Expenses:

Victims of Crime Levy payments	98	78
Other	-	1
Total Administered Expenses	98	79

Net Result	(9)	1
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33. Disclosure of Administered Items (continued)	2008	2007
Administered Current Assets:	\$'000	\$'000
Cash	<u>11</u>	<u>20</u>
Total Administered Assets	11	20
Administered Current Liabilities:		
Victims of Crime Levy payables	<u>14</u>	<u>14</u>
Total Administered Liabilities	14	14
Net Administered Assets	(3)	6
Administered Equity:		
Retained earnings	<u>(3)</u>	<u>6</u>
Total Administered Equity	(3)	6
Changes in Equity:		
Balance at 1 July	<u>6</u>	<u>5</u>
Net result	<u>(9)</u>	<u>1</u>
Balance at 30 June	(3)	6
Cash Flows from Operating Activities:	2008	2007
	(Outflows)	Inflows
	\$'000	(Outflows)
Cash Inflows:		\$'000
Victims of Crime Levy	<u>87</u>	<u>79</u>
Other	<u>2</u>	<u>1</u>
Total Cash Inflows	89	80
Cash Outflows:		
Victims of Crime Levy Payments	<u>(98)</u>	<u>(72)</u>
Other	<u>-</u>	<u>(1)</u>
Total Cash Outflows	(98)	(73)
Net Cash Inflows from Operating Activities	(9)	7
Net Increase in Cash	(9)	7
Cash at 1 July	<u>20</u>	<u>13</u>
Cash at 30 June	11	20

Administered Items of the Department

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime Levy). It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as Departmental income, expenses, cash inflows or cash outflows, assets or liabilities, but are recognised as administered income, expenses, cash inflows, cash outflows, assets or liabilities.

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

The Courts Administration Authority (the Authority) was established pursuant to the *Courts Administration Act 1993*. The Authority is constituted of the State Courts Administration Council (SCAC), the State Courts Administrator, and other staff of the Council.

Functions

The function of the SCAC, as an administrative authority independent of control of executive government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice. For more information about the Authority's objectives and priorities refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 27 of the *Courts Administration Act 1993* provide for the Auditor-General to audit the accounts of the SCAC for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- governance
- risk management
- payroll
- expenditure
- revenue
- non-current assets
- cash at bank
- general ledger
- trust accounts including suitors funds.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Courts Administration Authority as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Courts Administration Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Courts Administration Authority have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the State Courts Administrator. Responses to the management letters were generally considered to be satisfactory. The principal matters raised with the Authority and the related responses follow.

Delegations of Authority

The Authority operates under a delegation of authority framework. Last year's Report indicated that the Authority would review the requirements of TI 8 (Ministerial approval of the Authority's delegation of authority) in consideration of the legislative provisions of the *Courts Administration Act 1993*.

The Authority has advised that it is of the understanding that as the independent third arm of government, once the budget is approved, the SCAC has the authority to approve payment authorisations. The Authority has written to the Crown Solicitor to obtain legal opinion and clarify this matter.

Risk Management

The FMF requires agencies to have in place a formal risk management framework.

Review of risk management practices revealed that current, detailed strategies used by the Authority to address risks are not documented on the Risk Register or strategic plan risk assessment. Whilst Audit is aware the Authority pursues strategies and other actions to address identified risks, the maintenance of a key risk document is considered appropriate to evidence the Authority's practice of risk identification and monitoring.

Audit recommended that the Risk Register be updated for strategies and actions that are proposed for areas of improved risk management.

The Authority agreed that that the update of the Risk Register for strategies and other actions taken to address identified risks would improve risk management within the agency.

Cash at Bank

While bank reconciliations were prepared by the Authority on a regular basis, a number of reconciling items were present each month.

Review of the reconciliations revealed a number of reconciling items had been outstanding for more than a month with others dating back further. Audit also observed that the unrepresented cheque listing had a number of stale cheques.

Audit recommended that variances between cash at bank and that recorded in the general ledger are identified and corrected on a timely basis. Unpresented cheques that can no longer be presented at the Bank should be cancelled and appropriately adjusted in the ledger.

The Authority responded that it understands the need to address all unreconciled items on a timely basis. A review of processes in the Magistrates Court relating to unreconciled bank transactions was undertaken as part of the June 2008 reconciliation process. Dedicated resources have been allocated to resolve identified transactions and recommend a suitable ongoing resource structure to ensure this issue is resolved.

These matters were followed up as part of the year end audit. Review of the 30 June 2008 bank reconciliation revealed that the Authority had:

- cleared long outstanding reconciling items
- identified immaterial unmatched transactions and stale cheques to correct
- prepared the bank reconciliation shortly after balance date.

Contracts Register

The Authority has a Contracts Register which is centrally maintained and records details of contracts under the Authority's management and control.

A review of the Contracts Register revealed that several contracts entered into by the Authority during the period 2006 to 2008 had not been recorded. Audit recommended that the Authority reviews all contractual arrangements and ensure that appropriate details are centrally recorded in the Contracts Register.

The Authority has now developed procedures that will ensure all contracts are centrally recorded in the Contracts Register.

Fines Policy

The Authority, through the Fines Payment Unit (FPU) is responsible for managing and collecting significant fines and other payments.

The FPU policies, procedures and practices include management and debt collection methods employed by the Authority. The Authority has chosen not to recognise these amounts as administered debts due to the uncertainty as to their collectability. The Authority has developed a draft fines policy to address a number of matters to responsibly administer this debt. As part of this policy, issues such as debt write-off approval, accounting recognition and disclosure were expected to be further considered and discussed with key stakeholders.

Discussions with management during the interim audit revealed that the draft policy has not been completed and that further work is needed before a final draft is considered and approved. Audit considered that this matter needs finalisation.

The Authority responded that it intends to finalise a policy on this matter during 2008-09.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

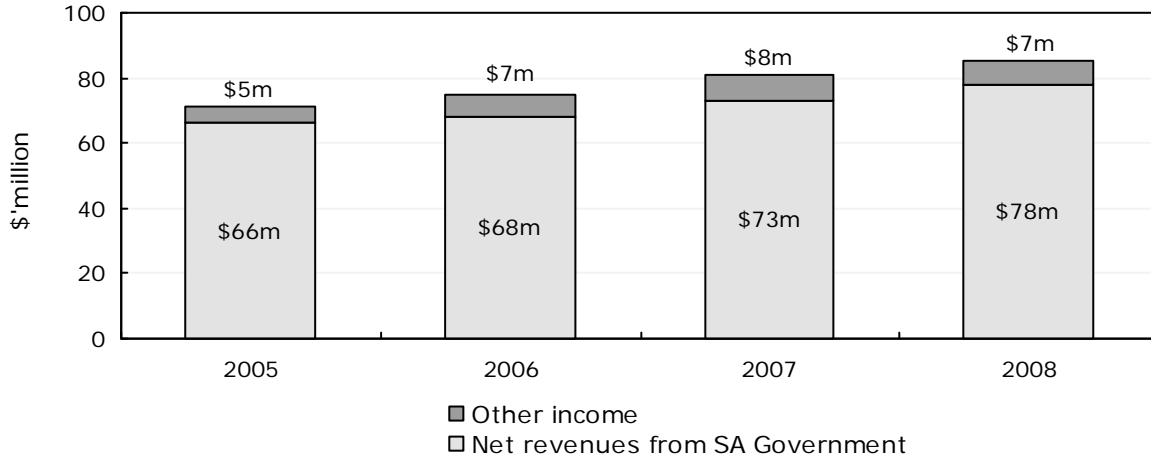
Highlights of the Financial Report

	2008	2007	Percentage
	\$'million	\$'million	Change
<i>EXPENSES</i>			
Employee benefit expenses	45	43	5
Supplies and services	30	28	7
Other expenses	7	7	-
Total Expenses	82	78	5
<i>INCOME</i>			
Revenues from fees and charges	5	5	-
Other revenues	2	3	(33)
Total Income	7	8	(13)
<i>NET COST OF PROVIDING SERVICES</i>	75	70	7
<i>NET REVENUES FROM SA GOVERNMENT</i>	78	73	7
Net Result	3	3	-
<i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i>	8	7	14
<i>ASSETS</i>			
Current assets	23	18	28
Non-current assets	132	134	(2)
Total Assets	155	152	2
<i>LIABILITIES</i>			
Current liabilities	10	9	11
Non-current liabilities	29	31	(6)
Total Liabilities	39	40	(3)
<i>EQUITY</i>	116	112	4

Income Statement

Income

Revenues from SA Government is the major source of funding for the Authority accounting for 92 percent of total income. Revenues from government have been increasing to meet the additional costs of the Authority. A structural analysis of income for the Authority in the four years to 2008 is presented in the following chart.

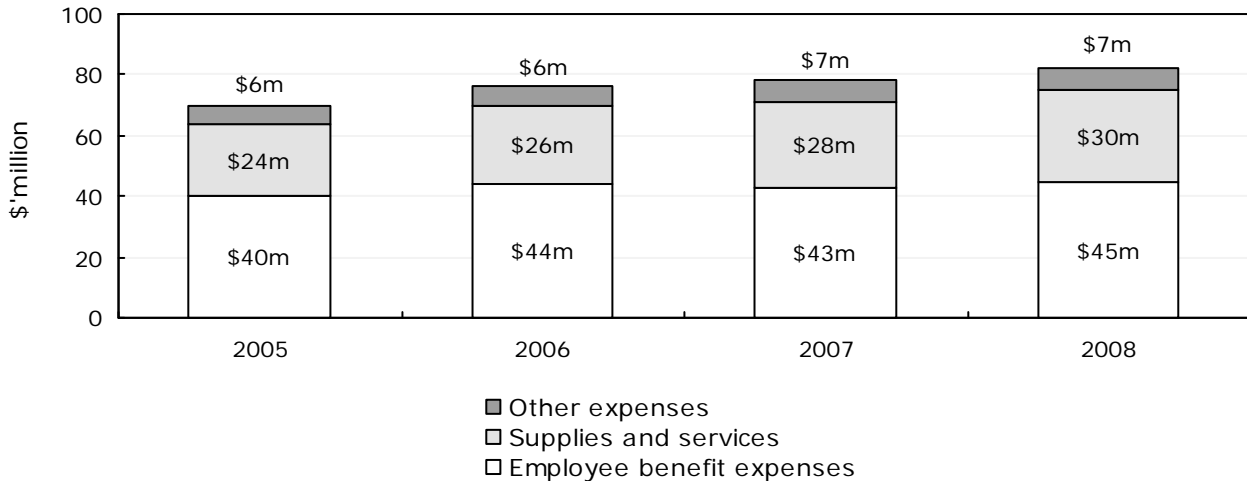


Expenses

Employee benefit expenses is the major expense category for the Authority accounting for 55 percent of total expenses.

Supplies and services increased by \$2 million or 7 percent to \$30 million during 2008. The increase is due mainly to an increase in accommodation expenses, and computing and communication expenses.

For the four years to 2008, a structural analysis of the main expense items for the Authority is shown in the following chart.



The Authority's expenses reflect the costs incurred in performing its statutory responsibilities including the collection of administered income such as fines and court fees on behalf of the Government. This income is directly credited to the Consolidated Account and is reported under Administered Income.

Net Result

The Authority's operations for 2007-08 resulted in a surplus of \$3 million (\$3 million). The reported surplus is attributable to an increase in the appropriation received from the SA Government, offset by higher employee benefit expenses and supplies and services.

Balance Sheet

Non-current assets decreased by \$2 million or 2 percent to \$132 million due predominantly to depreciation and amortisation of existing assets of \$5 million offset by the addition of computing and library assets during the period.

Current assets increased by \$5 million or 28 percent due mainly to additional deposits for excess accrual funding by the Department of Treasury and Finance offset slightly by operating cash reductions of approximately \$1 million.

Cash Flow Statement

Included in cash at 30 June 2008 is \$14 million (\$7 million), being accrual appropriation, which is only accessible for specific purposes with the approval of the Treasurer.

Administered Items

The financial report relating to administered items forms part of the Authority's financial report and follows Note 32.

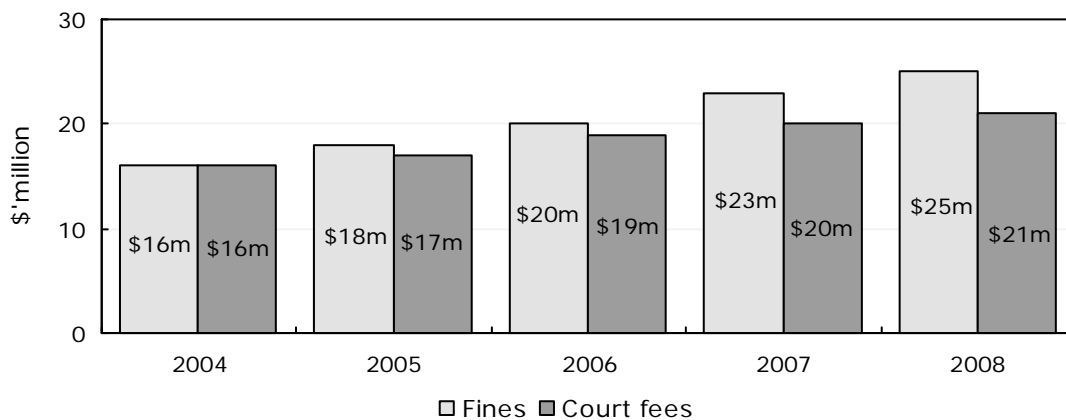
Fines and Court Fees

Fines and court fees are raised and collected by the Authority on behalf of, and paid directly to, the Government.

During the year, income from fines and court fees increased by \$2.8 million or 7 percent to \$46.1 million. The Authority advised that the main factors which have contributed to the increased income, include:

- increases in court lodgement fees and expiation revenue (including from red light and speed cameras)
- increased collection rates by the Fines Payment Unit.

For the five years to 2008, a structural analysis of income from fines and court fees is shown in the following chart.



Victims of Crime Levy

The Authority collects monies associated with the *Victims of Crime Act 2001* that have progressed to the courts. The *Victims of Crime Act 2001* provides for payment of compensation to persons who suffer injury as a result of criminal acts and recovery of monies from offenders.

The Authority collects monies and remits them to a special interest bearing deposit account managed by the Attorney-General's Department.

Victims of Crime Levy receipts increased by \$3.7 million or 64 percent due to an increase in the levy rate and additional collections during the year.

Other Comments

Revenues from the SA Government are received by the Authority to fund the payment of employment expenses of the Judiciary. During 2007-08 revenues from the SA Government increased by \$4.3 million to \$32.3 million to fund Judicial salary and related expenses of \$31 million (\$30 million). The funding received covers the recurrent expenditure and does not extend to the Judiciary's accrued leave liability.

FURTHER COMMENTARY ON OPERATIONS

Fines, Fees and Levies

As detailed under the heading ‘Communication of Audit Matters’, the Authority through the FPU is responsible for managing the recovery of debts associated with criminal monetary penalties that relate to:

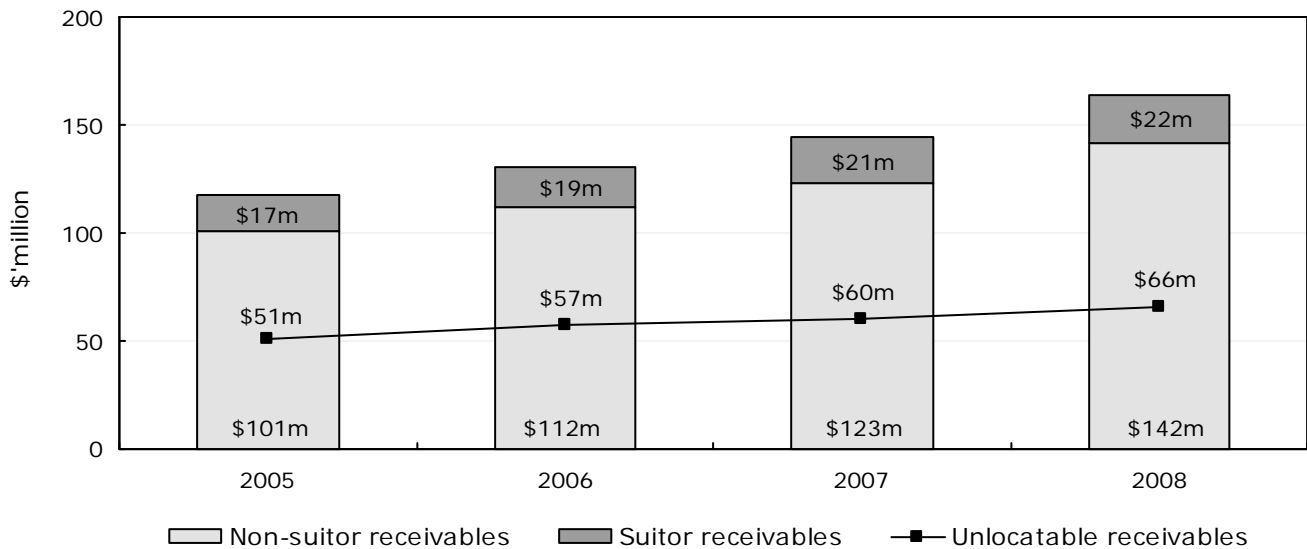
- overdue and current expiation fees
- court fees and fines
- victims of crime levies
- third party suitor amounts such as local government overdue rates and parking fines.

The FPU operates from registries in the city and country and has a Fines Payment Call Centre. The FPU also manages a range of external payment options such as Australia Post, Centrelink, Direct Debit and BPay in addition to a web based payment facility.

These receivables are not recorded in the Statement of Administered Assets and Liabilities as there is significant uncertainty as to the amount that will be collected. Instead, revenues are recorded in the Statement of Administered Income and Expenses when monies are received.

At 30 June 2008, the FPU recorded approximately \$164 million in receivables for fines and other payments including suitor related debts of approximately \$22 million. Of the total amount referred to the Authority for management and collection, the FPU has determined that some debtors are no longer locatable and the amounts are unlikely to be collected. At 30 June 2008, unlocatable debtors totalled \$66 million.

For the four years to 2008, these amounts receivable and the value of those that are unlocatable are shown in the following chart.



Public/Private Partnership

In May 2005, Cabinet approved the execution of a 25-year service contract with a private company for regional South Australia Police Stations and Courts Administration Authority Courts under a Public Private Partnership project.

In June 2005, the Minister for Infrastructure signed a Project Agreement detailing the design, construction, maintenance, operation and ownership of facilities by a private sector contractor.

The bundled Public Private Partnership project involved the sale of land at unimproved market value to the contractor and the lease back by the Government of new police stations and courts at:

- Port Lincoln new Court and Police Station
- Victor Harbor new Court and Police Station
- Port Pirie new Court
- Berri new Court and refurbished Police Station
- Mt Barker new Police Station
- Gawler new Police Station.

The Project Agreement provides for the Minister for Infrastructure to enter into leases for the new privately owned facilities on behalf of the State. The last facility (Port Lincoln) was completed in 2006-07 and is now occupied by the South Australia Police and the Authority. Indexed annual service payments which are subject to performance abatements consistent with the Project Agreement and other administrative payments are being made to the contractor.

For accounting purposes, the arrangement has been assessed as an operating lease consistent with the requirements of AASB 117.

Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
EXPENSES:			
Employee benefit expenses	5	45 043	43 366
Supplies and services	6	29 905	28 156
Depreciation and amortisation expenses	7	5 125	4 829
Borrowing costs	8	1 205	1 252
Net loss from the disposal of assets	15	92	-
Other expenses	9	575	459
Total Expenses		81 945	78 062
INCOME:			
Revenues from fees and charges	13	4 610	4 557
Sale of goods and services	12	737	726
Grants	11	1 106	524
Resources received free of charge	14	-	2 100
Net gain from the disposal of assets	15	-	104
Total Income		6 453	8 011
NET COST OF PROVIDING SERVICES		(75 492)	(70 051)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	16	79 075	73 444
Payment to SA Government	16	(448)	-
NET REVENUES FROM SA GOVERNMENT		78 627	73 444
NET RESULT		3 135	3 393

Net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	21 698	16 436
Receivables	18	1 244	582
		22 942	17 018
Non-current assets classified as held-for-sale	19	211	667
Total Current Assets		23 153	17 685
NON-CURRENT ASSETS:			
Property, plant and equipment	20	131 636	134 611
Intangibles	21	78	37
Other non-current assets	22	39	-
Total Non-Current Assets		131 753	134 648
Total Assets		154 906	152 333
CURRENT LIABILITIES:			
Payables	23	3 426	3 259
Short-term and long-term employee benefits	24	4 543	4 023
Short-term finance lease	27	919	869
Short-term provisions	25	522	527
Other current liabilities	26	365	291
Total Current Liabilities		9 775	8 969
NON-CURRENT LIABILITIES:			
Payables	23	654	704
Long-term employee benefits	24	7 033	7 342
Long-term finance lease	27	20 088	21 007
Long-term provisions	25	1 777	1 867
Total Non-Current Liabilities		29 552	30 920
Total Liabilities		39 327	39 889
NET ASSETS		115 579	112 444
EQUITY:			
Contributed capital		3 140	3 140
Retained earnings		82 827	79 521
Asset revaluation reserve		29 586	29 586
Amounts recognised directly in equity relating to non-current assets classified as held-for-sale		26	197
TOTAL EQUITY		115 579	112 444
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	27		
Contingent assets and liabilities	28		

Statement of Changes in Equity for the year ended 30 June 2008

		Contributed	Asset Revaluation	Retained	Total
	Note	Capital \$'000	Reserve \$'000	Earnings \$'000	\$'000
Balance at 30 June 2006		3 140	29 555	76 286	108 981
Error correction	24	-	-	70	70
Restated balance at 30 June 2006		3 140	29 555	76 356	109 051
Net result for 2006-07		-	-	3 393	3 393
Total Recognised Income and Expense for 2006-07		-	-	3 393	3 393
Balance at 30 June 2007		3 140	29 555	79 749	112 444
Error correction	19	-	228	(228)	-
Restated balance at 30 June 2007		3 140	29 783	79 521	112 444
Transfer between equity on disposal of revalued assets		-	(171)	171	-
Net result for 2007-08		-	-	3 135	3 135
Total Recognised Income and Expense for 2007-08		-	(171)	3 306	3 135
Balance at 30 June 2008		3 140	29 612	82 827	115 579

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

**Cash Flow Statement
for the year ended 30 June 2008**

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefit payments		(44 827)	(43 449)
Payments for supplies and services		(33 008)	(30 351)
GST remitted to ATO		(240)	(220)
Finance lease		(1 205)	(1 252)
Other payments		(649)	(801)
Cash used in Operations		(79 929)	(76 073)
CASH INFLOWS:			
Grants		955	529
Fees and charges		5 316	5 945
GST input tax credits		2 913	3 479
Other receipts		-	14
Cash generated from Operations		9 184	9 967
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		79 075	73 444
Payments to SA Government		(448)	-
Cash generated from SA Government		78 627	73 444
Net Cash provided by Operating Activities	30	7 882	7 338
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchases of property, plant and equipment		(2 115)	(8 064)
Cash used in Investing Activities		(2 115)	(8 064)
CASH INFLOWS:			
Proceeds from sales of property, plant and equipment		364	450
Cash generated from Investing Activities		364	450
Net Cash used in Investing Activities		(1 751)	(7 614)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of finance lease		(869)	(822)
Cash used in Financing Activities		(869)	(822)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5 262	(1 098)
CASH AND CASH EQUIVALENTS AT 1 JULY		16 436	17 534
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	21 698	16 436

**Program Schedule of Expenses and Income
for the year ended 30 June 2008**

	2008			Total
	Program (Refer Note 4)	1	2	
EXPENSES:				
Employee benefit expenses	38 421	2 117	4 505	45 043
Supplies and services	25 988	678	3 239	29 905
Depreciation and amortisation expenses	5 121	1	3	5 125
Borrowing costs	1 205	-	-	1 205
Net loss from the disposal of assets	92	-	-	92
Other expenses	503	20	52	575
Total Expenses	71 330	2 816	7 799	81 945
INCOME:				
Revenues from fees and charges	539	-	4 071	4 610
Sale of goods and services	707	-	30	737
Grants	1 106	-	-	1 106
Total Income	2 352	-	4 101	6 453
NET COST OF PROVIDING SERVICES	(68 978)	(2 816)	(3 698)	(75 492)
Revenues from SA Government	68 442	2 702	7 483	78 627
NET RESULT	(536)	(114)	3 785	3 135

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Courts Administration Authority

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*. It is overseen by the State Courts Administration Council and is independent of the Government.

Its principal objective is to provide quality administration to the Judiciary and to ensure an effective and accessible courts system.

Currently, the major priorities of the Authority and the State Courts Administration Council are to:

- provide administrative support to the courts of this State;
- increase the community's understanding of the operations of the courts and provide new avenues for community comment on the operations of the courts and their registries;
- improve court facilities;
- foster an environment in which judicial officers, staff and volunteers can contribute to improved performance of the courts system;
- keep up to date with technological developments and apply those that are appropriate to improve the performance of the courts system;
- cooperate with other parts of the justice system to improve access to justice and the overall performance of the justice system.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted. Refer to Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

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

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

The Cash Flow Statement has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

(c) Reporting Entity

The Authority was established by the *Courts Administration Act 1993* as a statutory authority independent of executive government. The State Courts Administration Council (Governing Body), the State Courts Administrator and staff of the Council are collectively referred to as the Authority.

The financial report includes all the controlled activities of the Authority. Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to the Authority's overall financial performance and position, they are disclosed in the administered financial statements at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for the controlled items.

(d) Comparative information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change.

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified unless reclassification is impracticable.

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

(e) Rounding

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

(f) Taxation

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

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

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

(f) Taxation (continued)

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

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

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

(g) Income and Expenses

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

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

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

Income

The following are specific recognition criteria:

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

The Authority performs activities on behalf of the Government and other government agencies and reports these in the Administered Financial Statements. It receives revenue from infringement notices issued to offenders under various acts and regulations, processes revenue from fees charged under regulations to various acts and receives revenue on behalf of other government agencies which it forwards to them on a regular basis.

Fines revenue, a significant proportion of court fees revenue, and amounts received on behalf of other agencies is recognised at the time cash is received due to the uncertainty of amounts to be collected.

- *Sale of Goods and Services*
Revenues from sales of goods and services are derived from the provision of goods and recouping of services to other SA Government agencies and to the public.
- *Revenues from SA Government*
Appropriations for program funding are recognised as revenues when the Authority obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Authority and the appropriation is recorded as contributed equity.

- *Resources Received Free of Charge*
Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value. Resources provided free of charge are recorded in the expense line items to which they relate.
- *Contributions Received*
Contributions are recognised as an asset and income when the Authority obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

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

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

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

- **Disposal of Non-Current Assets**
Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with the carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Expenses

- **Employee Benefits**
Employee benefit expense includes all cost related to employment including wages and salaries and leave entitlements. These are recognised when incurred.
- **Superannuation**
The amount charged to the Income Statement represents the contributions made by the Authority to the superannuation plan in respect of current services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.
- **Borrowing Costs**
All borrowing costs are recognised as expenses.
- **Payments to SA Government**
Payments to the SA Government include proceeds from the sale of asset, taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

The Authority makes payments pursuant to the *Remuneration Act 1990* to members of the judiciary and receives reimbursement for these and other expenses paid on behalf of other agencies. It is dependent on support from the Crown to meet accruing judicial entitlement obligations recognised in the financial statements.

(h) Current and Non-Current Classification

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

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

(i) Cash and Cash Equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

(j) Receivables

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

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

(k) Non-Current Asset Acquisition and Recognition

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

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

Where the payment for an asset is deferred, the Authority measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

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

(l) Revaluation of Non-Current Assets

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

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

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

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

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

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

(m) Impairment

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

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

(n) Non-Current Assets (or Disposal Groups) Held-for-Sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the Balance Sheet.

(o) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land and assets held-for-sale are not depreciated.

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

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and improvements	30 - 60
Leasehold improvements	Life of lease
Computing equipment	3 - 10
Furniture and fittings	5 - 10
Library collections	5 - 25
Intangibles	5

(p) Intangibles

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5000.

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Authority has been unable to attribute this expenditure to the intangible asset rather than to the Authority as a whole.

(q) Payables

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

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

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

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

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

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

(r) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

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

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Authority's experience of employee retention and leave taken.

(s) Provisions

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

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

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

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Authority has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Authority has entered into finance leases and operating leases.

Finance Leases

Finance leases, which transfer to the Authority substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated, between interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

Where there is no reasonable assurance that the Authority will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

Operating Leases – The Authority as Lessee

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

Courts premises in four country centres are provided by a Public Private Partnership arrangement between the State and Plenary Justice Pty Ltd. It is accounted for as an operating lease. As the arrangement is for a 25 year period from 2005 the Authority has a substantial future commitment for servicing costs but has no right to obtain ownership.

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

Operating Leases – The Authority as Lessor

The Authority leases commercial spaces to external parties through operating leases. Income derived from these leases is recognised as rental recovery income in the Income Statement in the period in which it is earned.

(u) Unrecognised Contractual Commitments

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value. They are disclosed net of the amount of GST recoverable from the ATO. If the GST is not recoverable from the ATO, the commitments are disclosed on a gross basis.

3. Changes in Accounting Policies

Except for the amendments to AASB 101, which the Authority has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the reporting period ending 30 June 2008. The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial report of the Authority.

4. Programs of the Authority

In achieving its objectives, the Authority provides a range of services classified into the following programs:

Program 1: Court and Tribunal Case Resolution Services

The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.

Program 2: Alternative Dispute Resolution Services

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes.

Program 3: Penalty Management Services

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The Authority does not track assets and liabilities at a program level and therefore figures cannot be reliably measured.

The Program Schedule of Expenses and Income presents expense and income information regarding departmental programs for the year ended 30 June 2008.

5. Employee Benefit Expenses

	2008	2007
	\$'000	\$'000
Salaries and wages	37 106	35 745
Employment on-costs	6 360	6 114
Long service leave	1 373	1 344
Board fees	78	67
Other employee related expenses	126	96
Total Employee Benefit Expenses	45 043	43 366

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:

	2008	2007
	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	6	4
\$110 000 - \$119 999	3	2
\$120 000 - \$129 999	2	3
\$130 000 - \$139 999	2	1
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	2	-
\$160 000 - \$169 999	-	2
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	1	-
\$240 000 - \$249 999	1	1
\$250 000 - \$259 999	1	-
Total Number of Employees	19	14

The table includes all employees who received remuneration of \$100 000 or more during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.7 million (\$3.0 million).

6. Supplies and Services

Supplies and Services provided by Entities within the SA Government:

	2008	2007
	\$'000	\$'000
Accommodation and services	8 356	7 355
Computing and communication	2 347	2 633
Coronial charges	2 557	2 508
Operating leases	238	234
Other administration expenses	1 223	1 198
Total Supplies and Services - SA Government Entities	14 721	13 928

Supplies and Services provided by Entities external to the SA Government:

Accommodation and services	2 242	2 402
Circuit and travel expenses	1 274	1 395
Computing and communications	2 547	1 779
Consultancy, contractors and temp staff	1 325	1 449
Court expenses	646	834
Operating leases	178	232
Staff development and training	591	479
Equipment purchases and repairs	766	489
Other administration expenses	2 775	2 499
Coronial charges	234	361
Jurors' expenses	1 500	1 278
Sheriff's officer payments	1 106	1 031
Total Supplies and Services - Non-SA Government Entities	15 184	14 228
Total Supplies and Services	29 905	28 156

Consultancies

Individual consultancies costing between \$10 000 and \$50 000

4 (2) Consultancies	68	79
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Total cost of consultancies less than \$10 000

13 (14) Consultancies	51	41
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Total Paid/Payable to the Consultants Engaged

119	120
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7. Depreciation and Amortisation Expenses

Depreciation:

Buildings and improvements	2 251	2 062
Computing and communication equipment	105	102
Office furniture and equipment	63	44
Library collections	1 782	1 656
Total Depreciation	4 201	3 864

Amortisation:

Leasehold improvements	84	99
Assets under finance lease	830	830
Intangibles	10	36
Total Amortisation	924	965

Total Depreciation and Amortisation Expenses

5 125	4 829
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8. Borrowing Costs	2008	2007
Finance Lease provided by Entities within the SA Government:	\$'000	\$'000
Interest expense on financial lease liability	1 205	1 252
Total Borrowing Costs	1 205	1 252
<p>The Authority occupies the Sir Samuel Way Building under a 40 year non-cancellable finance lease which expires in 2023. The nominal interest rate on the lease remains at 5.61 percent (5.61 percent).</p> <p>The Authority is responsible for all maintenance costs and paid an additional 'rental' of \$3 204 000 (\$3 311 000) which will increase each year by the amount obtained by applying the rate of CPI increase in the previous year to the combined total of the previous year's rental and finance lease repayments.</p>		
9. Other Expenses	2008	2007
Other Expenses paid/payable to Entities within the SA Government:	\$'000	\$'000
Audit fees	164	160
Other Expenses paid/payable to Entities external to the SA Government:		
Workers compensation	403	298
Others	8	1
Total Other Expenses	575	459
10. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	105	103
Total Audit Fees	105	103
<p>No other services were provided by the Auditor-General's Department.</p>		
11. Grants		
Grants received/receivable from Entities within the SA Government:		
Court Assessment Referral Drug Scheme (CARDS)	513	445
Industrial Court - Sheriff's officer services	52	50
Guardianship Board	27	27
Drug court - Transfer of function	502	-
Other	12	2
Total Grants	1 106	524
12. Sale of Goods and Services		
Sales of Goods and Services to Entities external to the SA Government:		
Sale of electronic information	308	276
Services	204	217
Rent recoveries	225	233
Total Sales of Goods and Services	737	726
13. Revenues from Fees and Charges		
Regulatory Fees received/receivable from Entities external to the SA Government:		
Licence disqualification and reminder fees	2 443	2 548
Sheriff's officer fees	1 104	1 030
Other regulatory fees	1 063	979
Total Revenues from Fees and Charges	4 610	4 557
14. Resources Received Free of Charge		
Resources received from Entities within the SA Government:		
Transfer of land	-	2 100
Total Resources Received Free of Charge	-	2 100
15. Net (Loss) Gain from the Disposal of Assets		
Proceeds from disposal of assets	364	450
Less: Carrying value of assets disposed	456	346
Total (Loss) Gain from the Disposal of Assets	(92)	104
16. Revenues from (Payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	79 075	73 444
Total Revenues from SA Government	79 075	73 444
Payments to SA Government:		
Return of surplus cash from sale of asset	448	-
Total Payments to SA Government	448	-

17. Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Deposits with the Treasurer	21 666	16 406
Cash on hand	32	30
Total Cash	21 698	16 436

Deposits with the Treasurer

Include \$13.6 million (\$7.3 million) held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Under Treasurer's approval.

Interest Rate Risk

Cash on hand and deposits with the Treasurer are non-interest bearing. The carrying value of cash and cash equivalents represents fair value.

18. Receivables	2008	2007
	\$'000	\$'000
Receivables from Non-SA Government Entities:		
Receivables	440	185
Less: Allowance for doubtful debts	5	-
Accrued revenue	6	-
GST input tax recoverable	384	280
Prepayments	184	117
Total Receivables from Non-SA Government Entities	1 009	582
Receivables from SA Government Entities:		
Receivables	12	-
Accrued revenue	223	-
Total Receivables from SA Government Entities	235	-
Total Receivables	1 244	582

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other Expenses' in the Income Statement for specific debtors and debtors assessed on a collective basis or which such evidence exists.

Movements in the Allowance for Doubtful Debts

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	-	-
Increase in the allowance	5	-
Carrying Amount at 30 June	5	-

Interest Rate and Credit Risk

Receivables are raised at the time service is provided only where it is probable that the revenue will be received. The Authority cannot be certain of receiving items such as reminder fees and Sheriff's officer fees until the payment is made. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing and the carrying amounts approximate fair value. There is no concentration of credit risk.

19. Non-Current Assets Classified as Held-for-Sale	2008	2007
	\$'000	\$'000
Land	81	340
Buildings and improvements	130	327
Total Non-Current Assets Classified as Held-for-Sale	211	667

As a result of construction, or leasing of newly constructed court buildings, in regional centres several properties became available for disposal. Two properties were disposed of during the year. Refer Note 15.

Correction of Errors

Related asset revaluation reserves (\$228 000) on properties sold prior to the current financial year have been identified and transferred to retained earnings at 30 June 2007.

20. (a) Property, Plant and Equipment			2008	
	Cost	Fair Value	Accumulated	Written
	\$'000	\$'000	Depreciation/	Down
			Amortisation	Value
			\$'000	\$'000
Land at fair value	2 100	22 669	-	24 769
Buildings and improvements at cost/fair value	11 682	75 365	(4 313)	82 734
Building under finance lease at fair value	-	33 191	(20 744)	12 447
Leasehold improvements at cost	1 033	-	(706)	327
Computing and communication at cost	3 461	-	(2 364)	1 097
Office furniture and equipment at cost	1 187	-	(783)	404
Library collections at cost/fair value	2 026	11 200	(3 438)	9 788
Works of art and collections at fair value	-	70	-	70
Total Property, Plant and Equipment	21 489	142 495	(32 348)	131 636

20. (a) <i>Property, Plant and Equipment</i> (continued)	Cost	Fair Value	Accumulated Depreciation/ Amortisation	2007 Written Down Value
	\$'000	\$'000	\$'000	\$'000
Land at fair value	2 100	22 669	-	24 769
Buildings and improvements at cost/fair value	11 660	75 365	(2 062)	84 963
Building under finance lease at fair value	-	33 191	(19 915)	13 276
Leasehold improvements at cost	1 033	-	(622)	411
Computing and communication at cost	2 948	-	(2 545)	403
Office furniture and equipment at cost	933	-	(720)	213
Library collections at cost/fair value	962	11 200	(1 656)	10 506
Works of art and collections at fair value	-	70	-	70
Total Property, Plant and Equipment	19 636	142 495	(27 520)	134 611

Valuations

The valuation of Land, Buildings and Improvements and library collections were performed by Valcorp Australia Pty Ltd, licensed valuers, as at 30 June 2006. Rushton Valuers Pty Ltd, licensed valuers, valued works of art and collections as at 30 June 2006. These are measured at fair value and are not depreciated.

Impairment

There were no indications of material impairment of property, plant and equipment assets at 30 June 2008.

(b) *Reconciliation of Non-Current Assets*

The following table shows the movement of non-current assets during 2007-08.

	Land \$'000	Buildings and Improve- ments \$'000	Building under Finance Lease \$'000	Buildings - Leasehold Improve- ments \$'000	2008 Total Land & Buildings \$'000
Carrying amount at 1 July	24 769	84 964	13 277	411	123 421
Additions	-	21	-	-	21
Depreciation and amortisation	-	(2 251)	(830)	(84)	(3 165)
Carrying Amount at 30 June	24 769	82 734	12 447	327	120 277

	Computing & Commu- nication Equipment \$'000	Office Furniture & Equipment \$'000	Library Collections \$'000	Works of Art and Collections \$'000	Total Property Plant & Equipment \$'000
Carrying amount at 1 July	402	212	10 506	70	134 611
Additions	800	255	1 064	-	2 140
Depreciation and amortisation	(105)	(63)	(1 782)	-	(5 115)
Carrying Amount at 30 June	1 097	404	9 788	70	131 636

	In-house Developed Computer Software \$'000	Other Computer Software \$'000	Total Intangible Assets \$'000
Carrying amount at 1 July	-	37	37
Additions	-	51	51
Depreciation and amortisation	-	(10)	(10)
Carrying Amount at 30 June	-	78	78

21. Intangible Assets	2008 \$'000	2007 \$'000
Computer Software:		
Internally developed computer software	7 688	7 688
Accumulated amortisation	(7 688)	(7 688)
Other computer software	673	622
Accumulated amortisation	(595)	(585)
Total Intangible Assets	78	37

The Authority has transferred all computer software to Intangibles from Property, Plant and Equipment during 2007-08 and comparative data for 2006-07 has been restated.

22. Other Non-Current Assets		
Prepayments	39	-
Total Other Non-Current Assets	39	-

23. Payables	2008	2007
Current:	\$'000	\$'000
Creditors	526	1 028
Accrued expenses	2 129	1 586
Accrued capital expenditure	122	46
Employment on-costs	649	599
Total Current Payables	3 426	3 259
Non-Current:		
Employment on-costs	654	704
Total Non-Current Payables	654	704
Total Payables	4 080	3 963
Government/Non-Government Payables:		
Payable to SA Government entities:		
Creditors	310	409
Accrued expenses	1 088	359
Employment on-costs	613	632
Total Payables to SA Government Entities	2 011	1 400
Payable to Non-SA Government Entities:		
Creditors	216	619
Accrued expenses	1 163	1 273
Employment on-costs	690	671
Total Payables to Non-SA Government Entities	2 069	2 563
Total Payables	4 080	3 963

Interest Rate and Credit Risk

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

24. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Accrued salaries and wages	910	724
Short-term long service leave	1 324	964
Annual leave	2 309	2 335
Total Current Employee Benefits	4 543	4 023
Non-Current:		
Annual leave	240	275
Long service leave	6 793	7 067
Total Non-Current Employee Benefits	7 033	7 342
Total Employee Benefits	11 576	11 365

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is \$5 192 000 and \$7 687 000 respectively. For 2007 the expense was \$4 622 000 and \$8 046 000 respectively.

Based on actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of long service leave liability has not changed from the 2007 benchmark (6.5 years).

Correction of Errors

Due to the use of inappropriate factors in estimating employee benefits liabilities at 30 June 2006, payables and employee benefits liabilities were overstated by a net \$70 000. This error also had the effect of overstating expenses by \$70 000 and therefore understating retained earnings.

25. Provisions	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	522	527
Total Current Provisions	522	527
Non-Current:		
Provision for workers compensation	1 777	1 867
Total Non-Current Provisions	1 777	1 867
Total Provisions	2 299	2 394
Carrying amount at 1 July	2 394	2 506
Reductions arising from payments/other sacrifice of future economic benefits	(478)	(469)
Reductions resulting from re-measurement or settlement without cost	(144)	(105)
Additional provisions recognised	527	462
Carrying Amount at 30 June	2 299	2 394

25. Provisions (continued)

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

26. Other Liabilities	2008	2007
Current:	\$'000	\$'000
Unearned revenue	275	212
Unclaimed money	90	79
Total Other Liabilities	365	291

27. Unrecognised Contractual Commitments

Remuneration Commitments

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

Within one year	1 510	1 045
Later than one year but not longer than five years	2 027	757
Total Remuneration Commitments	3 537	1 802

Other Commitments

Commitments in relation to a public/private partnership arrangement for regional court premises not recognised as liabilities in the financial report, are payable as follows:

Within one year	1 873	1 819
Later than one year but not longer than five years	7 983	7 785
Later than five years	44 528	46 598
Total Other Commitments	54 384	56 202

Operating Lease Commitments as Lessee

Commitments in relation to equipment and accommodation operating leases contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

Within one year	849	795
Later than one year but not longer than five years	844	1 082
Total Operating Lease Commitments - All Non-Cancellable	1 693	1 877

Operating Lease Commitments as Lessor

Commitments in relation to accommodation operating leases contracted for at the reporting date but not recognised as receivable in the financial report, are payable as follows:

Within one year	190	149
Later than one year but not longer than five years	633	320
Later than five years	430	497
Total Operating Lease Commitments - All Non-Cancellable	1 253	966

Finance Lease Commitments

Future minimum lease payments under finance lease of the Sir Samuel Way Building, expiring in 2023, together with the present value of net minimum lease payments are as follows:

Payable no later than one year	5 515	5 279
Payable later than one year and not later than five years	22 060	21 114
Payable later than five years	55 152	58 064
Total Minimum Lease Payments	82 727	84 457
Less: Future finance charges and contingent rentals	61 720	62 581
Total Finance Lease Commitments - Non-Cancellable	21 007	21 876

Present value of finance leases payable as follows:

Within one year	919	869
Later than one year but not longer than five years	4 238	4 008
Later than five years	15 850	16 999
Total Present Value of Minimum Lease Payments	21 007	21 876

Included in the Financial Statements as:

Current borrowings	919	869
Non-current borrowings	20 088	21 007
Total Present Value of Minimum Lease Payments	21 007	21 876

The weighted average interest rate implicit in the leases is 5.61 percent.

28. Contingent Assets and Liabilities

The Authority has no material contingent assets or liabilities as at 30 June 2008 (nil).

29. Remuneration of Board and Committee Members

Members that were entitled to receive remuneration for membership during the 2007-08 financial year were:

Administrative and Disciplinary Committee

Ms Samantha Battams
 Mr Christopher Branson
 Ms Susan Cosoff (resigned 20 April 2008)
 Ms Janina Gipslis
 Ms Margaret Heylen
 Ms Polly Sumner-Dodd
 Mr James Lally
 Ms Jean Hutchinson (appointed 19 July 2007)

ERDC Environment Protection Act Panel

Ms Megan Lewis
 Mr John Agnew

ERDC Native Title Panel

Mr Francis Lampard
 Mr Olec Morozow

ERDC Water Resources Panel

Mr John Botting
 Ms Judith Brine
 Ms Megan Dyson
 Mr Bryan Harris
 Ms Megan Lewis
 Ms Jennifer McKay
 Mr Robert Clisby (retired 30 June 2008)
 Mr Philip Read

Equal Opportunity Tribunal

Mr Richard Altman
 Ms Elizabeth Bachmann
 Ms Helena Jasinski
 Mr David Shetliffe
 Ms Barbara Worley (resigned 1 December 2007)
 Mr Hau Yapp

Plumbers, Gas Fitters and Electricians

Industry/Consumer Panel

Mr Charles MacDonald
 Mr John Iveson
 Ms Jean Hutchinson

Training Centre Review Board

Mr David Branson
 Ms Sandra Miller
 Mr John Eaton
 Mr Graham Brown
 Ms Branka King
 Ms Irene Watson

Building Work Contractors

Industry/Consumer Assessor Panel

Mr Brenton Trenorden
 Mr James Dames
 Ms Jean Hutchinson

Dental Professional Conduct Tribunal

Mr Anthony Lake (resigned 22 June 2008)
 Mr William Squire

ERDC Development Act Panel

Ms Judith Brine
 Mr Demetrius Poupoulas
 Mr Hugh Kirkman
 (appointed 29 November 2007)
 Mr Alan Hutchings
 Mr Peter Koukourou

ERDC Irrigation Act Panel

Ms Toni Robinson

ERDC Native Vegetation Act Panel

Mr John Lothian
 Mr David Moyle

ERDC Soil Conservation and Land Care Panel

Ms Mary Crawford
 Ms Carolyn Ireland

Medical Professional Conduct Tribunal

Ms Dianne Barrington
 Mr David Blaikie
 Ms Aileen Connon
 Ms Linda Foreman
 Mr Frederick Henning
 Mr Graham West
 Ms Margaret Wallace

Second-Hand Vehicle Dealers

Industry/Consumer Panel

Mr Michael Richer

Gas Pipelines Tribunal

Mr David Round
 Mr Malcolm Messenger

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

\$0 - \$9 999
 \$20 000 - \$29 999
 \$40 000 - \$49 999

Total Number of Members

2008 Number of Members	2007 Number of Members
53	60
1	-
1	-
55	60

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received by members was \$164 000 (\$81 000).

Amounts paid to a superannuation plan for board members were \$6000 (\$4000).

In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

30. Cash Flow Reconciliation	2008	2007
Reconciliation of Cash - Cash at 30 June as per	\$'000	\$'000
Cash Flow Statement	21 698	16 436
Balance Sheet	21 698	16 436

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

Net cash provided by operating activities	7 882	7 338
Less: Revenues from SA Government	(79 075)	73 444
Add: Payment to SA Government	448	-
Add (Less): Non-cash items:		
Depreciation/amortisation	(5 125)	(4 826)
(Loss) Gain from disposal of assets	(92)	104
Allowance for doubtful debts	(8)	-
Resources received free of charge	-	2 100
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	687	(163)
Increase (Decrease) in other assets	39	(45)
Increase in employee benefits	(211)	(107)
Increase in payables	(58)	(826)
Decrease in provisions	95	112
Increase in other liabilities	(74)	(294)
Net Cost of Providing Services	(75 492)	(70 051)

31. Financial Instruments/Financial Risk Management

(a) Categorisation of Financial Instruments

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

	Note	2008	2007
		\$'000	\$'000
		Carrying	Carrying
		Amount*	Amount*
Financial Assets:			
Cash and cash equivalents	17	21 698	16 436
Loans and receivables:	18,22		
Receivables**		899	302
Total Financial Assets at Cost		22 597	16 738
Financial Liabilities:			
Financial liabilities at cost:			
Payables**	23	4 050	3 938
Borrowings	27	21 007	21 876
Total Financial Liabilities at Cost		25 057	25 814

* Carrying amount equates to fair value.

** Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivable/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost, except for employee on-costs which are determined via reference to the employee benefit liability to which they related.

(b) Credit Risk

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

The Authority has no significant concentration of credit risk. The Authority has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Authority does not engage in any hedging activity.

Allowance for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. The Authority's financial assets are mainly cash and receivables which do not require any collateral as security. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to Note 18 for information on the allowance for impairment in relation to receivables.

(c) Ageing Analysis of Receivables

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

	Past Due By			2008 Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	431	4	-	435
Accrued revenue	229	-	-	229
Prepayments	223	-	-	223
Impaired:				
Receivables	-	-	5	5
Total	883	4	5	892
2007				
Not Impaired:				
Receivables	173	4	9	186
Prepayments	117	-	-	117
Total	290	4	9	303

(d) Maturity Analysis

The financial assets and liabilities of the Authority are all current with maturity within the next 12 months, except finance lease liabilities (refer to Note 27 for the split of maturity by band of years) and employee on-costs which are not practical to split the maturity by band of years.

(e) Liquidity Risk

The Authority is funded principally from appropriations by the SA Government. The Authority works with the Department of Treasury and Finance to determine the cash flows associated with its government-approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The continued existence of the Authority is dependent on State Government policy and on continuing appropriations by Parliament for the Authority's administration and programs. The Authority settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Note 31(a) represent the Authority's maximum exposure to financial liabilities.

(f) Market Risk

Market risk for the Authority is primarily through interest rate risk. Exposure to interest rate risk may arise through its borrowings from Funds SA. There is no exposure to foreign currency or other price risk.

(g) Sensitivity Disclosure Analysis

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

32. Events After Balance Date

There were no events occurring after balance date.

**Statement of Administered Income and Expenses
for the year ended 30 June 2008**

	Note	2008 \$'000	2007 \$'000
INCOME:			
Revenues from SA Government		32 250	27 948
Fines		24 914	23 177
Court fees		21 170	20 088
Victims of Crime levies		9 498	5 795
Transcript fees		974	1 262
Other income		777	797
Total Income		89 583	79 067
EXPENSES:			
Judicial benefits expenses	A4	30 525	30 068
Victims of Crime payments		9 498	5 809
Payments to Consolidated Account		46 955	44 529
Other expenses		881	911
Total Expenses		87 859	81 317
OPERATING SURPLUS (DEFICIT)		1 724	(2 250)
Operating surplus (deficit) is attributable to SA Government as owner			

**Statement of Administered Assets and Liabilities
as at 30 June 2008**

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash and cash equivalents	A5	2 132	1 495
Receivables	A6	4 264	2 573
Total Current Assets		6 396	4 068
CURRENT LIABILITIES:			
Payables	A7	6 051	5 430
Short-term and long-term Judicial benefits	A8	2 764	2 680
Other current liabilities	A9	48	45
Total Current Liabilities		8 863	8 155
NON-CURRENT LIABILITIES:			
Payables	A7	691	720
Long-term Judicial benefits	A8	4 810	4 885
Total Non-Current Liabilities		5 501	5 605
Total Liabilities		14 364	13 760
NET ASSETS		(7 968)	(9 692)
EQUITY:			
Accumulated deficit		(7 968)	(9 692)
TOTAL EQUITY		(7 968)	(9 692)

**Statement of Changes in Administered Equity
as at 30 June 2008**

	Note	Retained Earnings \$'000
Balance at 30 June 2006		(7 805)
Error correction	A8	363
Total Recognised Income and Expense for 2005-06		<u>363</u>
Restated balance at 30 June 2006		(7 442)
Operating deficit for 2006-07		(2 250)
Total Recognised Income and Expense for 2006-07		<u>(2 250)</u>
Balance at 30 June 2007		(9 692)
Operating surplus for 2007-08		1 724
Total Recognised Income and Expense for 2007-08		<u>1 724</u>
Balance at 30 June 2008		<u><u>(7 968)</u></u>

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

**Statement of Administered Cash Flows
for the year ended 30 June 2008**

	Note	2008 Inflows (Outflows) \$'000	2007 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from SA Government		30 455	28 611
Fines		24 914	23 177
Court fees		21 170	20 088
Administered receipts		9 498	5 986
Transcript fees		974	1 264
GST input tax credits		133	132
Other receipts		777	758
Total Cash Inflows		<u>87 921</u>	80 016
CASH OUTFLOWS:			
Judicial benefits		(30 478)	(28 083)
Payments to Consolidated Account		(46 872)	(44 253)
Administered payments		(9 024)	(7 016)
GST payments on purchases		(133)	(131)
Other payments		(777)	(955)
Total Cash Outflows		<u>(87 284)</u>	(80 438)
Net Cash Inflows (Outflows) from Operating Activities	A10	<u>637</u>	(422)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		637	(422)
CASH AND CASH EQUIVALENTS AT 1 JULY		1 495	1 917
CASH AND CASH EQUIVALENTS AT 30 JUNE	A5	<u><u>2 132</u></u>	1 495

**Program Schedule of Administered Income and Expenses
for the year ended 30 June 2008**

	1	2	3	2008 Total
Program (Refer Note A3)	\$'000	\$'000	\$'000	\$'000
ADMINISTERED INCOME:				
Revenues from SA Government	32 250	-	-	32 250
Fines	20	-	24 894	24 914
Court fees	10 060	-	11 110	21 170
Victims of Crime levies	-	-	9 498	9 498
Transcript fees	974	-	-	974
Other income	777	-	-	777
Total Income	44 081	-	45 502	89 583
ADMINISTERED EXPENSES:				
Judicial benefits expenses	30 525	-	-	30 525
Victims of Crime payments	-	-	9 498	9 498
Payments to Consolidated Account	10 951	-	36 004	46 955
Other expenses	881	-	-	881
Total Expenses	42 357	-	45 502	87 859
OPERATING SURPLUS	1 724	-	-	1 724

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Objectives of the Courts Administration Authority

The objectives of the Authority outlined in Note 1 for operating items apply equally to the Administered Financial Statements.

A2. Summary of Significant Accounting Policies

The policies of the Authority outlined in Note 2 for operating items apply equally to the Administered Financial Statements.

A3. Programs of the Authority

Program 1: Court and Tribunal Case Resolution Services

The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.

Program 2: Alternative Dispute Resolution Services

Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes, which aim to prevent disputes.

No Administered activity under this program - Controlled only activity.

Program 3: Penalty Management Services

The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

The Authority does not track assets and liabilities at program level and therefore figures can not be reliably measured.

A4. Judicial Benefits

	2008 \$'000	2007 \$'000
Salaries and wages	21 562	21 070
Employment on-costs	6 145	6 211
Long service leave	990	1 146
Other Judicial related expenses	1 828	1 641
Total Judicial Benefits	30 525	30 068

Remuneration of Judiciary

The number of Judicial officers whose remuneration received or receivable falls within the following bands:

	2008	2007
	Number of	Number of
	Judicial	Judicial
	Officers	Officers
\$100 000 - \$109 999	2	-
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	3	-
\$130 000 - \$139 999	1	2
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	-	3
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	1	1
\$180 000 - \$189 000	-	3
\$190 000 - \$199 999	-	1
\$220 000 - \$229 999	-	1
\$230 000 - \$239 999	2	4
\$240 000 - \$249 999	8	8
\$250 000 - \$259 999	8	10
\$260 000 - \$269 999	7	4
\$270 000 - \$279 999	4	9
\$280 000 - \$289 999	8	4
\$290 000 - \$299 999	7	-
\$300 000 - \$309 999	1	3
\$320 000 - \$329 999	-	1
\$330 000 - \$339 999	1	1
\$350 000 - \$359 999	-	1
\$360 000 - \$369 999	1	14
\$370 000 - \$379 999	8	5
\$380 000 - \$389 999	13	1
\$390 000 - \$399 999	1	-
\$400 000 - \$409 999	-	2
\$410 000 - \$419 999	-	9
\$420 000 - \$429 999	8	1
\$430 000 - \$439 999	4	-
\$440 000 - \$449 999	1	-
\$470 000 - \$479 999	-	2
\$490 000 - \$499 999	1	-
\$530 000 - \$539 999	-	1
Total Number of Judicial Officers	92	92

The table includes all Judicial Officers who received remuneration of \$100 000 or more during the year.

Remuneration of Judicial Officers reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these judicial officers for the year was \$28.4 million (\$26.5 million).

A5. Administered Cash and Cash Equivalents	2008	2007
	\$'000	\$'000
Deposits with the Treasurer	2 132	1 495
A6. Administered Receivables		
Receivables from Non-SA Government Entities:		
Debtors	362	341
Allowance for doubtful debts	(65)	-
GST input tax recoverable	12	12
	309	353
Receivables from SA Government Entities:		
Debtors	11	-
Accrued revenue	3 944	2 220
	3 955	2 220
Total Current Administered Receivables	4 264	2 573
Movements in the Allowance for Doubtful Debts:		
Carrying amount at 1 July	-	-
Increase in the allowance	65	-
Carrying Amount at 30 June	65	-
A7. Administered Payables		
Current:		
Creditors and accrued expenses	5 453	4 826
Judicial benefits on-costs	598	604
Total Current Payables	6 051	5 430
Non-Current:		
Judicial benefits on-costs	691	720
Total Administered Payables	6 742	6 150

A7. Administered Payables (continued)	2008	2007
	\$'000	\$'000
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors	114	110
Accrued expenses	5 098	4 549
Judicial benefits on-costs	427	444
Total Payable to Other SA Government Entities	5 639	5 103
Payables to Non-SA Government entities:		
Creditors	241	167
Judicial benefits on-costs	862	880
Total Payable to Non-SA Government Entities	1 103	1 047
Total Payables	6 742	6 150

A8. Judicial Benefits		
Current:		
Accrued salaries and wages	487	407
Long service leave	1 089	1 035
Annual leave	1 188	1 238
Total Current Judicial Benefits	2 764	2 680
Non-Current:		
Annual leave	511	409
Long service leave	4 299	4 476
Total Non-Current Judicial Benefits	4 810	4 885
Total Judicial Benefits	7 573	7 565

The total current and non-current judicial benefit expense (ie aggregate judicial benefit plus related on-costs) for 2008 is \$3 362 000 and \$5 501 000 respectively. For 2007, the expense was \$3 284 000 and \$5 605 000 respectively.

Correction of Errors

Due to the use of an inappropriate factor in estimating judicial benefits on-costs at 30 June 2006, payables were overstated by \$363 000. This error also had the effect of overstating expenses by \$363 000 and therefore overstating the accumulated deficit for 2005-06.

A9. Other Liabilities	2008	2007
	\$'000	\$'000
Current:		
Unclaimed money	48	45
Total Other Liabilities	48	45

A10. Administered Cash Flow Reconciliation		
Reconciliation of Cash - Cash at 30 June as per:		
Statement of Administered Cash Flows	2 132	1 495
Statement of Administered Assets and Liabilities	2 132	1 495

Reconciliation of Net Cash provided by Administered Activities to Operating Deficit

Net cash provided by (used in) Operating Activities	637	(422)
Less: Non-cash item:		
Doubtful debts and bad debts expenses	(104)	-
Changes in Administered Assets/Liabilities:		
Increase (Decrease) in receivables	1 795	(818)
Increase in Judicial entitlements	(9)	(748)
Increase in payables	(595)	(262)
Operating Surplus (Deficit) from Administered Activities	1 724	(2 250)

T1. Trust Monies
The Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the jurisdictions' trust accounts.

<i>Supreme Court Suitor Account</i>	2008	2007
	\$'000	\$'000
Balance at 1 July	7 759	2 813
Receipts	23 790	21 951
	31 549	24 764
Less: Payments	7 012	17 005
Balance at 30 June	24 537	7 759

District Court Suitor Account

	2008	2007
	\$'000	\$'000
Balance at 1 July	3 008	761
Receipts	1 576	3 748
	4 584	4 509
Less: Payments	1 659	1 501
Balance at 30 June	2 925	3 008

Sheriff's Office Trust Account

Balance at 1 July	57	200
Receipts	1 488	894
	1 545	1 094
Less: Payments	1 296	1 037
Balance at 30 June	249	57

Magistrates' Courts Suitor Account

Balance at 1 July	4 012	4 099
Receipts	12 146	12 547
	16 158	16 646
Less: Payments	12 072	12 634
Balance at 30 June	4 086	4 012

DEFENCE SA

FUNCTIONAL RESPONSIBILITY

Establishment

Defence SA is an administrative unit established on 1 September 2007 pursuant to the PSM Act, reporting to the Premier as Minister for Economic Development.

Defence SA assumed responsibility for the functions formerly performed by the Port Adelaide Maritime Corporation (the Corporation) and the Defence Unit and Defence-related activities of the Department of Trade and Economic Development.

An advisory Board has been established to provide high-level advice to the Government of South Australia on strategy and policy required to deliver defence industry and facility growth in South Australia.

Functions

The functions of Defence SA are to:

- facilitate the development and growth of a sustainable defence industry in South Australia based on existing, created and new market opportunities in accordance with South Australia's Strategic Plan objectives
- advise and deliver strategies and policies required to deliver defence industry growth in South Australia
- deliver the State Government commitments in support of defence industry growth in South Australia
- maximise the defence presence, including personnel and facilities, in South Australia.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- Defence SA's policies and procedures
- accounting for project expenditure
- Defence SA's compliance with Treasurer's FMF
- legal compliance
- expenditure processing
- cash at bank
- processing of general ledger journals
- Reconciliations between the general ledger and subsidiary systems.

AUDIT FINDINGS AND COMMENTS

Audit's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of Defence SA as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by Defence SA in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of Defence SA have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to Defence SA. The response to the management letter was considered to be satisfactory. The main matters raised with Defence SA and the related responses are summarised below.

Payment and Disbursement Authority

The review of Defence SA expenditure identified payments that exceeded the approving officer's delegated payment authority of \$1 million. The payments related to land acquisition transactions with the Land Management Corporation and progress payments related to major contracts between Defence SA and its suppliers. It needs to be noted that in each instance the contracts were considered and approved by Cabinet.

Audit recommended that Defence SA obtain:

- payment authorisation from the Minister for one-off payments
- specific delegated authority to make payments pursuant to the authorised contracts where contract payments are greater than amounts provided for in a standing delegation.

Defence SA requested and received standing authority pursuant to the Treasurer's Instruction to make contract progress payments for large contracts and land acquisition settlement payments that are greater than \$1.1 million but within the overall contract approval.

Documenting Policies and Procedures

The review of Defence SA control arrangements identified areas where established control procedures were not incorporated in formally documented policies and procedures. The areas included risk management, contract management, legal compliance, aspects of financial accounting practices and procedures for processing financial transactions.

Documenting policies and procedures provides assurance that control procedures are understood by the officers who are responsible for implementing the controls.

In response to the Audit findings Defence SA outlined planned action to develop relevant policies and procedures.

Contract Management

Contract management is a core element of Defence SA's operations. The audit of controls over contract management functions noted that Defence SA had not, at the time of the audit review, developed and implemented a comprehensive contract management framework.

Audit recommended that Defence SA develop a contract management framework which integrated:

- documented policies and procedures
- procurement processes
- approval processes
- risk assessment and management
- maintaining and reviewing the contract register
- contract monitoring
- reporting on contract management.

The Defence SA response outlined proposed action to address the recommendations while incorporating State Procurement Board directives and policies.

Life to Date Project Reporting

The audit included review of arrangements for monitoring and reporting on Defence SA projects. The review noted the current Defence SA ledger and other reporting systems do not support effective project life to date reporting which is important for projects which are delivered over a number of years.

Audit recommended that Defence SA review the capacity of its reporting system to provide project life to date reporting for all projects which are delivered over a number of years.

Defence SA responded that they currently use the whole-of-government major project system to track project costs at the strategic reporting level. It has also commenced discussions with its shared service provider to generate tailored reports which address total life to date costs and monitoring.

Review of Risk Assessment

Defence SA uses risk profiles which were developed for each of the former Corporation's divisions, and remain relevant to Defence SA operations, and has implemented formal processes including:

- the review and update of Business Unit risk profiles every four to six weeks
- review of risk profiles on a six monthly basis by the Defence SA Management team
- regular presentation of risk profiles at the Risk and Audit Committee Meetings
- the regular review of the Corporate Risk Plan by Defence SA Management.

The Audit review of risk management practices noted the review processes were not incorporated in Defence SA's formal risk management policies and procedures. Incorporating the processes in formally documented policies and procedures provides assurance regular risk assessments occur and emerging risks are identified and mitigated.

Audit recommended that Defence SA incorporate the review processes into formally documented policies and procedures. Defence SA responded that this would be addressed as part of the annual risk policy, procedures plan and matrix review in early 2008-09.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2008
	\$'million
EXPENSES	
Employee benefit expenses	2.8
Supplies and services	6.8
Other expenses	0.6
Total Expenses	10.2
INCOME	
Grant revenues	16.6
Other revenues	1.5
Total Income	18.1
Net Cost of Providing Services	7.9
REVENUES FROM SA GOVERNMENT	15.7
Net Result before Restructure	23.6
Net Revenue from Administrative Restructure	105.0
Net Result after Restructure	128.6
ASSETS	
Current assets	49.6
Non-current assets	208.4
Total Assets	258.0
LIABILITIES	
Current liabilities	20.0
Total Liabilities	20.0
EQUITY	238.0

Income Statement

Income

The net revenue from administrative restructure of \$105 million recognises the value of net assets transferred to Defence SA from the former Corporation and the Department of Trade and Economic Development. Note 21 details the transferred assets and liabilities.

Grant revenue represents a one-off contribution of \$16.6 million from the ASC Pty Ltd towards the cost of extending the Common User Facility dry berth beyond the original scope of works.

Expenses

Supplies and Services include \$1.5 million of expenditure relating to the construction of the Air Warfare Destroyers Systems Centre and this amount includes \$174 000 of previously capitalised expenditure. During the year Defence SA changed the development strategy for this component of project by seeking a private developer to develop the Air Warfare Destroyers Systems Centre.

Balance Sheet

The following table summarises the movement of Defence SA non-current assets which have been acquired by Defence SA and the Port Adelaide Maritime Corporation as part of their project delivery activities.

	Land \$'million	Buildings, Plant and Equipment \$'million	Capital works in Progress \$'million	Total \$'million
Transferred from Port Adelaide Maritime Corporation	52.8	-	23.3	76.1
Acquired during the reporting period	16.0	4.6	118.2	138.8
Transfers	(1.7)	-	(4.7)	(6.4)
Total	67.1	4.6	136.8	208.5

At balance date Defence SA had payables of \$19.6 million which were principally related to the acquisition of non-current assets.

Defence SA received a capital contribution of \$109.4 million from the SA Government to fund the acquisition of capital assets which was recognised directly in equity.

Cash Flow Statement

The following table summarises the net cash flows for 2008.

	2008 \$'million
Net Cash Flows	
Operating activities	23.8
Investing activities	(120.3)
Financing activities	141.2
Change in Cash	44.7
Cash at 30 June	44.7

Cash used in investing activities during the year relates to expenditure on Defence SA's projects and land purchases.

The cash from financing activities reflects mainly the contributed capital received from the SA Government.

FURTHER COMMENTARY ON OPERATIONS

Techport Australia

In May 2005, the Australian Government announced the selection of the wholly-owned ASC subsidiary, ASC Shipbuilding Pty Ltd, as the preferred shipbuilder for the Navy's Air Warfare Destroyers project which has an estimated cost up to \$8 billion. The selection of the company was part of the Government's first pass approval of the Air Warfare Destroyers project.

The Government of South Australia established the Port Adelaide Maritime Corporation (abolished 31 August 2007) to deliver the State's commitments to the Air Warfare Destroyers project at the Techport Australia site at Osborne. This became the responsibility of Defence SA from 1 September 2007.

Techport Australia will include:

- a Common User Facility
- Commercial and Education Precinct and Supplier's Precinct
- Maritime Skills Centre
- Air Warfare Destroyers Systems Centre.

Common User Facility

The Common User Facility will comprise a ship lift, transfer system and wharf. This infrastructure will enable the ASC to build the Air Warfare Destroyers and attract other shipbuilding opportunities to Techport Australia.

The Common User Facility is being developed in a number of stages with completion due in the first quarter of 2010. The first and current stage incorporates the construction of a new wharf, installation of the ship lift and construction of a transfer runway and separate dry berths. Works include dredging the Port Adelaide River adjacent to the wharf and ship lift to create a berth basin and providing a transfer system to move ships and modules to and from the ship lift and around the site. The estimated cost of construction is \$260 million (previously \$243 million).

The Common User Facility development was split into two components for contracting purposes:

- the appointment of a managing contractor
- design and construction of the ship lift and transfer system.

The project is approximately 40 percent complete. All land piling is completed and the concrete slab for the hardstand and dry berth is more than 70 percent complete. Backfilling of the wharf and installation of services (gas, electricity, water) has commenced. The fabrication of the ship lift has also commenced.

Total expenditure on the project to 30 June 2008 was \$123.2 million. An estimated \$96 million is forecast for 2008-09.

Commercial and Education Precinct and Supplier's Precinct

The Supplier's precinct at Techport Australia will accommodate naval shipbuilding and related defence businesses involved in supporting and supplying the Air Warfare Destroyer construction program and other naval/defence projects.

The Commercial and Education precinct will house the Maritime Skills Centre, the Air Warfare Destroyers Commercial Campus, commercial and retail buildings and car parking.

Planning and design for the precinct was completed during 2007-08 and a major contractor appointed to upgrade infrastructure head works (roads, water, sewer, electricity). As at 30 June earthworks were nearing completion and tenders for the landscaping and signage contracts being finalised.

Total expenditure on the project to 30 June 2008 was \$20.2 million. An estimated \$10.4 million is forecast for 2008-09.

Maritime Skills Centre

The Maritime Skills Centre is a training facility within the Commercial and Education precinct which will be used primarily to train and enhance the skills of the workforce of ASC. The estimated cost of constructing and fitting out the centre is \$5.3 million.

Construction of the Centre was completed in May 2008 and operational responsibility handed to ASC. A General Manager to oversee the ASC training program and promote third party use of the facility was appointed in March 2008.

Total expenditure on the project to 30 June 2008 was \$4.6 million. Minor final progress payments will be made in the early part of 2008-09.

Air Warfare Destroyer Commercial Campus

The Commercial Campus will house the Air Warfare Destroyer Systems Centre and other office accommodation at Techport Australia. The System Centre will accommodate project management staff engaged in the design, delivery and commissioning of the Air Warfare Destroyers.

In February 2008 Cabinet endorsed an alternative delivery method with the private sector taking responsibility for funding, building and managing the facility, with the Government providing an accommodation support package to the Air Warfare Destroyer Alliance and its members.

Through a request for proposal process, a preferred developer has been selected. As at 30 June 2008, Defence SA and the preferred developer were in contract negotiations to finalise the development agreement. In order to meet the schedule requirements of Air Warfare Destroyer program, Defence SA in parallel to the request for proposal, engaged (through a request for tender process) a design consultant to commence the preliminary and then detailed design of the facility. This contract will be novated to the developer upon conclusion of the agreement.

Completion is forecast mid 2010.

Secure Electronic Common User Facility

Defence SA will establish a Secure Electronic Common User Facility at Technology Park. Works include building refurbishment and installation of a range of secure, networked environments to enable cooperative defence based research and modelling and a facility for private sector contractors to utilise for high-tech defence contracts.

The cost of the refurbishment and ICT installation is estimated at \$8.12 million. A security risk assessment and conceptual planning commenced in 2007-08.

Northern Le Fevre Peninsula Master Plan

Defence SA is involved in preparing a master plan for the Le Fevre Peninsula that will identify the long-term infrastructure requirements to support a sustainable industrial precinct and the creation of Techport Australia.

The master plan includes the consolidation of Government owned land holdings to develop sustainable industrial precincts and appropriate open space and buffers from established residential areas. To 30 June 2008 Defence SA has purchased \$62 million of land from the Land Management Corporation and the Department for Environment and Heritage. Proposed expenditure for 2008-09 is \$2.8 million.

**Income Statement
for the 10 months ended 30 June 2008**

	Note	01.09.07 to 30.06.08 \$'000
EXPENSES:		
Employee benefit expenses	5	2 832
Supplies and services	6	6 785
Depreciation	7	14
Grants and subsidies	8	595
Total Expenses		<u>10 226</u>
INCOME:		
Grants	10	16 640
Other revenues	11	1 437
Total Income		<u>18 077</u>
NET SURPLUS FROM PROVISION OF SERVICES	25	<u>7 851</u>
REVENUES FROM SA GOVERNMENT:		
Revenues from SA Government	12	15 730
NET RESULT BEFORE RESTRUCTURE		<u>23 581</u>
NET REVENUE FROM AN ADMINISTRATIVE RESTRUCTURE	21	104 992
NET RESULT AFTER RESTRUCTURE		<u><u>128 573</u></u>

Net result after restructure is attributable to the SA Government as owner

**Balance Sheet
as at 30 June 2008**

		2008
CURRENT ASSETS:	Note	\$'000
Cash	13	44 646
Receivables	14	3 291
Land held for sale	15	1 644
Total Current Assets		49 581
NON-CURRENT ASSETS:		
Land	16	67 104
Buildings, plant and equipment	16	4 605
Capital works in progress	17	136 751
Total Non-Current Assets		208 460
Total Assets		258 041
CURRENT LIABILITIES:		
Payables	18	19 604
Short-term and long-term employee benefits	19	436
Total Current Liabilities		20 040
Total Liabilities		20 040
NET ASSETS		238 001
EQUITY:		
Contributed capital	20	109 428
Retained earnings		128 573
TOTAL EQUITY		238 001
Total equity is attributable to the SA Government as owner		
Unrecognised contractual commitments	22	
Contingent assets and liabilities	23	

**Statement of Changes in Equity
for the 10 months ended 30 June 2008**

	Contributed Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 September 2007	-	-	-
Net result after restructure for 2007-08	-	128 573	128 573
Total recognised income and expense for 2007-08	-	128 573	128 573
Equity contribution from SA Government	109 428	-	109 428
Balance at 30 June 2008	109 428	128 573	238 001

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

**Cash Flow Statement
for the 10 months ended 30 June 2008**

	01.09.07 to 30.06.08
	Inflows (Outflows)
	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
CASH OUTFLOWS:	
Employee benefit payments	(2 650)
Payments for supplies and services	(6 327)
Payments of grants and subsidies	(595)
GST payments on purchases	(12 318)
GST paid to the ATO	(1 755)
Cash used in Operations	(23 645)
CASH INFLOWS:	
Grants	16 640
GST receipts on receivables	1 756
GST recovered from the ATO	11 559
Other receipts	1 321
Deposits on sale of land	412
Cash generated from Operations	31 688
CASH FLOWS FROM SA GOVERNMENT:	
Receipts from SA Government	15 730
Cash generated from SA Government	15 730
Net Cash provided by Operating Activities	23 773
	25
CASH FLOWS FROM INVESTING ACTIVITIES:	
CASH OUTFLOWS:	
Purchase of land	(15 997)
Payments for property, plant and equipment	(3 119)
Payments for capital work in progress	(101 196)
Cash used in Investing Activities	(120 312)
CASH FLOWS FROM FINANCING ACTIVITIES:	
CASH INFLOWS:	
Capital contributions from SA Government	109 428
Proceeds from restructuring activities	31 757
Cash generated from Financing Activities	141 185
NET INCREASE IN CASH	44 646
CASH AT 1 SEPTEMBER	-
CASH AT 30 JUNE	44 646
	13,25
Non-cash transactions	13

**Program Schedule of Expenses and Income
for the 10 months ended 30 June 2008**

	(refer Note 4)	Program 1	Program 2	Program 3	01.09.07 to 30.06.08
		\$'000	\$'000	\$'000	Total \$'000
EXPENSES :					
Employee benefit expenses		2 264	562	6	2 832
Supplies and services		3 194	3 577	14	6 785
Depreciation		14	-	-	14
Grants and subsidies		573	-	22	595
Total Expenses		<u>6 045</u>	<u>4 139</u>	<u>42</u>	<u>10 226</u>
INCOME:					
Grants		-	16 640	-	16 640
Other revenues		648	762	27	1 437
Total Income		<u>648</u>	<u>17 402</u>	<u>27</u>	<u>18 077</u>
NET SURPLUS FROM PROVISION OF SERVICES		<u>(5 397)</u>	<u>13 263</u>	<u>(15)</u>	<u>7 851</u>
REVENUES FROM SA GOVERNMENT:					
Revenues from SA Government		15 730	-	-	15 730
NET RESULT BEFORE RESTRUCTURE		<u>10 333</u>	<u>13 263</u>	<u>(15)</u>	<u>23 581</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Defence SA

Defence SA is South Australia's lead government agency for all defence-related matters. The Agency's goal is to facilitate the growth of Defence and sustainable defence industries in South Australia in accordance with South Australia's Strategic Plan.

To achieve this goal, the Agency is focused on delivering the Government of South Australia's commitments to the Air Warfare Destroyer project, as well as capturing further defence work in the four defence sectors - maritime, land, aerospace and electronics and weapons systems.

Defence SA is also striving to ensure the right climate exists for defence industry growth, and is working with a number of partners to deliver results for industry in the areas of workforce development and innovation in particular.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs, TIs and APSs promulgated under the provision of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2008. Refer Note 3.

(b) Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying Defence SA's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - (b) expenses incurred as a result of engaging consultants;

(b) Basis of Preparation (continued)

- (c) employees whose remuneration is \$100 000 or more (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
- (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Defence SA's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention. The Cash Flow Statement has been prepared on a cash basis.

The financial report has been prepared based on the ten months from 1 September 2007 to 30 June 2008 and is presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial report for the period ended 30 June 2008.

(c) Reporting Entity

Defence SA is a government agency of the State of South Australia established pursuant to the PSM Act. Defence SA is an administrative unit acting on behalf of the Crown and has no subsidiaries.

(d) Transferred Functions and Administrative Restructures

On 23 August 2007 a proclamation made by the Governor pursuant to section 7 of the PSM Act resulted in the establishment of Defence SA effective 1 September 2007. Defence SA subsumed the activities and operations of the Port Adelaide Maritime Corporation (PAMC) and the Defence Unit of the Department of Trade and Economic Development from that date. All assets, liabilities and contractual commitments of PAMC as at 31 August 2007 have transferred to Defence SA. Refer Note 21.

(e) Comparative Information

No comparative information is presented as Defence SA was established on 1 September 2007.

(f) Rounding

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

(g) Project Overheads

Defence SA adopts a full cost approach to the costing of its capital works. This method entails the allocation of a proportionate share of project specific overheads to all activities based upon a regime of cost drivers in accordance with AASB 116.

(h) Taxation

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

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

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

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

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

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

(i) Income and Expenses

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

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

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of Defence SA and the appropriation is recorded as contributed equity.

Other Revenues

Rental income is derived from property holdings and includes lease income and recoveries of tenant outgoings. Lease income is accounted for on a straight line basis over the lease term.

Expenses*Employee Benefits*

Employee benefits expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Income Statement represents contributions made by Defence SA to the superannuation plan in respect of current services of current Defence SA staff.

(j) Current and Non-Current Classification

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

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

(k) Cash

Cash includes:

- deposit with the Treasurer
- cash held in escrow, held for a specific purpose, as narrated in Note 13.

Cash is measured at nominal value.

(l) Receivables

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

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

(m) Capital Works in Progress

During the period work continued on the development of infrastructure to support the Air Warfare Destroyer construction program in accordance with the Infrastructure Assistance Agreement.

Defence SA engages in projects that include land acquisition, infrastructure development and ultimate disposal through sale or various leasing arrangements.

The accounting policy of capitalisation of project overheads attributable to capital works is disclosed in Note 2(g).

Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with Note 2(n).

(n) Non-Current Asset Acquisition and Recognition

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

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

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

(o) Revaluation of Non-Current Assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets will only be performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. As at 30 June 2008, no revaluations have been undertaken.

Every three years Defence SA will revalue its land, buildings and leasehold improvements. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation took place.

(p) Impairment

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

(q) Land Held-for-Sale

Land is classified as held-for-sale and stated at the lower of its carrying amount and fair value less costs to sell if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the land's sale is expected to be completed within one year from the date of classification.

(r) Depreciation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

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

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

Land is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful life of the following classes of assets:

<i>Class of Asset</i>	<i>Remaining Useful Life</i>
Buildings	40 years
Plant and equipment	4-10 years

(s) Payables

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

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with TI 11.

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

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

(t) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The majority of Defence SA employees are newly recruited to the SA Government and are employed on contracts with less than four years to expiry. The long service leave liability accrual has been calculated based on the actual leave accrual for those staff with an existing long service leave entitlement.

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

Employee Benefit On-Costs

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

Provisions

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

When Defence SA expects some or all of the provision to be reimbursed, the reimbursement will be recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Income Statement net of any reimbursement. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(u) Workers Compensation

Defence SA is responsible for the payment of workers compensation claims. Defence SA has a service level agreement with the Public Sector Workforce Division of the Department of the Premier and Cabinet to undertake injury management and rehabilitation services.

(v) Insurance

Defence SA has arranged, through SA Government Financing Authority - Insurance Division (SAICORP), to insure all major risks of Defence SA. The excess payable under this arrangement varies depending on each class of insurance held.

Defence SA has arranged, with input from SAICORP, project specific professional indemnity, contractors, all risk and legal liability insurance policies applicable to the design and construction of the Common User Facility (CUF) at Techport Australia.

(w) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

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

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

3. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by Defence SA for the reporting period ending 30 June 2008. Defence SA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial report of Defence SA.

4. Programs of Defence SA

Program information is prepared in conformity with the accounting policies of the entity as disclosed in Note 2.

Program income and expenses are those that are directly attributable to a program and the relevant portion that can be allocated to the segment on a reasonable basis.

In achieving its objectives Defence SA provides a range of services classified into the following programs:

Program 1 – Defence Industry Development

Support the growth of defence and sustainable defence industries in South Australia - across the maritime, land, aerospace and electronics and weapons sectors.

Program 2 – Defence Precincts

The provision of world-class infrastructure to support the growth of defence and sustainable defence industries in South Australia, such as Techport Australia, Edinburgh Parks, Technology Park, Cultana Training Area and Woomera Test Range.

Program 3 – Workforce Development

Support South Australia in meeting the skill growth required by modern shipbuilding, with particular focus on the immediate requirements of the AWD project and Techport Australia development. This will be achieved through focused and innovative delivery of investment and skills attraction and development programs, appropriately integrated with whole-of-state workforce development efforts.

5. Employee Benefit Expenses	01.09.07 to 30.06.08
	\$'000
	Note
Salaries and wages	1 949
Long service leave	68
Annual leave	195
Employment on-costs - Superannuation	192
Employment on-costs - Other	128
Board fees	24 259
Other employee related expenses	41
Total Employee Benefit Expenses	2 832

Remuneration of Employees

Remuneration of Employees	01.09.07 to 30.06.08
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees
\$100 000 - \$109 999	1
\$110 000 - \$119 999	2
\$140 000 - \$149 999	3
\$170 000 - \$179 999	1
\$180 000 - \$189 999	1
\$230 000 - \$239 999	1
\$250 000 - \$259 999	1
\$370 000 - \$379 999	1
Total Number of Employees	11

The table includes all employees who received remuneration of \$100 000 or more during the period. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.995 million.

6. Supplies and Services	01.09.07 to 30.06.08
	\$'000
Supplies and Services provided by Entities within the SA Government:	
Accommodation and service costs	102
Accounting and audit fees	62
Land tax	693
Legal fees to Crown Solicitor	136
Payments to Department of Primary Industries and Resources for provision of corporate services	135
Other	96
Total Supplies and Services - SA Government Entities	1 224
Supplies and Services provided by Entities external to the SA Government:	
Payments to contractors	2 759
Payments to consultants (refer below)	199
Legal fees	142
Staff related expenses	92
Travel and related expenses	448
Advertising, marketing and promotion	1 223
Property expenses	500
Other expenses	198
Total Supplies and Services - Non-SA Government Entities	5 561
Total Supplies and Services	6 785

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to Defence SA not holding a valid tax invoice or payments relating to third party arrangement.

The number and dollar amount of consultancies paid/payable (included in Supplies and Services expense) that fell within the following bands:	01.09.07 to 30.06.08	
	Number of Consultants	\$'000
Below \$10 000	3	4
Between \$10 000 and \$50 000	2	26
Above \$50 000	2	169
Total Paid/Payable to the Consultants Engaged	7	199

7. Depreciation	01.09.07 to 30.06.08 \$'000
Plant and equipment	<u>14</u>
Total Depreciation	<u>14</u>
8. Grants and Subsidies	
Grants and Subsidies paid/payable to Entities external to the SA Government:	
Defence Teaming Centre	316
University of South Australia	257
Australian Submarine Corporation Pty Ltd	<u>22</u>
Total Grants and Subsidies - Non-SA Government entities	<u>595</u>
9. Auditor's Remuneration	
Audit Fees paid/payable to the Auditor-General's Department:	
Fees paid/payable for prior period audits of PAMC	27
Fees paid/payable for the current reporting period	<u>35</u>
Total Audit Fees	<u>62</u>
No other services were provided by the Auditor-General's Department.	
10. Grants	
Grants received/receivable from Entities external to the SA Government:	
Australian Submarine Corporation Pty Ltd contribution to CUF extended dry berth	<u>16 640</u>
Total Grants - Non-SA Government Entities	<u>16 640</u>
11. Other Revenues	
Other Revenue received/receivable from Entities within the SA Government:	
Transfers received - Department of Trade and Economic Development	494
Other revenues	<u>73</u>
Total Other Revenues - SA Government Entities	<u>567</u>
Other Revenue received/receivable from Entities external to the SA Government:	
Rental income and recoveries	747
Insurance recoveries	71
Other recoveries	<u>52</u>
Total Other Revenues - Non-SA Government Entities	<u>870</u>
Total Other Revenues	<u>1 437</u>
12. Revenues from SA Government	
Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i>	15 697
Transfers received - Department of Treasury and Finance, Contingencies	<u>33</u>
Total Revenues from SA Government	<u>15 730</u>
13. Cash	
Deposits with the Treasurer	43 623
Cash held in escrow	<u>1 023</u>
Total Cash	<u>44 646</u>
Interest Rate Risk	
Exposure to interest rate risk may arise through interest bearing assets and liabilities. Cash at bank is non-interest bearing. The carrying amount of cash represents net fair value.	
Cash Held in Escrow	
Cash held in escrow represents cash held for a specific purpose (land remediation) as per contract conditions. This cash is not available to fund other Defence SA activities.	
Non-Cash Financing and Investing Activities	
<i>Assumption of Assets and Liabilities</i>	
On 1 September 2007 Defence SA subsumed the assets and liabilities of PAMC and the Defence Unit of the Department of Trade and Economic Development amounting to \$104 992 (Note 21). Non-cash assets and liabilities transferred are not reflected in the cash flow statement.	
14. Receivables	01.09.07 to 30.06.08 \$'000
Current:	
Receivables	178
GST input tax recoverable	2 907
Prepayments	<u>206</u>
Total Current Receivables	<u>3 291</u>

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables, prepayments and accrued revenues are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Bad and Doubtful Debts

Defence SA has no bad and doubtful debts expense at 30 June 2008.

15. Land Held-for-Sale	01.09.07 to 30.06.08 \$'000
Land:	1 644
Techport Australia Supplier Precinct Stage 2	1 644
Total Land Held-for-Sale	1 644

Defence SA is undertaking remediation, development and subdivision of land parcels on the *Le Fevre Peninsula* on a progressive basis. The value of land classified as held for sale represents those parcels available and likely to be settled within 12 months. The value recorded represents the acquisition costs of the land. The costs associated with site preparation and headwork upgrades applicable to those parcels is included within capital works in progress.

16. Property, Plant and Equipment	01.09.07 to 30.06.08 \$'000
Land:	67 104
Land at cost	67 104
Total Land	67 104
Buildings, plant and equipment:	
Buildings at cost	4 555
Plant and equipment at cost (deemed fair value)	97
Accumulated depreciation at the end of the period	(47)
Total Buildings, Plant and Equipment	4 605
Total property, plant and equipment at cost	71 756
Total accumulated depreciation at the end of the period	(47)
Total Property, Plant and Equipment	71 709

Reconciliation of Property, Plant and Equipment

The following table shows the movement on property, plant and equipment during the period 1 September 2007 to 30 June 2008.

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Total Assets \$'000
Carrying amount at 1 September 2007	-	-	-	-
Acquisition through administrative restructuring	52 751	-	32	52 783
Additions	15 997	4 555	32	20 584
Assets reclassified to assets held for sale	(1 644)	-	-	(1 644)
Depreciation	-	-	(14)	(14)
Carrying Amount at 30 June 2008	67 104	4 555	50	71 709

17. Capital Works in Progress	01.09.07 to 30.06.08 \$'000
The Balance of Capital Works in Progress as at the end of the reporting period.	136 751

Reconciliation of Capital Works in Progress

The following table shows the movement of capital works in progress during the period 1 September 2007 to 30 June 2008.

	Improve- ments to Freehold Land \$'000	Harbour and Port Infra- structure \$'000	Buildings \$'000	Total Capital Works in Progress \$'000
Carrying amount at 1 September 2007	-	-	-	-
Acquisition through administrative restructuring	4 569	17 280	1 469	23 318
Additions	8 900	105 898	3 364	118 162
Expense of prior year capital costs	-	-	(174)	(174)
Reclassified as property, plant and equipment	-	-	(4 555)	(4 555)
Carrying Amount at 30 June 2008	13 469	123 178	104	136 751

Reconciliation of Capital Works in Progress (continued)

Capital works in progress includes detailed planning and design and:

- remediation and infrastructure headworks on development land
- development work associated with the construction of the CUF.

Prior year capital work in progress of \$174 000 relating to construction of the Air Warfare Destroyer Systems Centre was expensed during the reporting period as a result of a change in development strategy, with a private developer now undertaking this development.

Maritime Skills Centre construction was completed during the reporting period and the asset transferred to property, plant and equipment (Note 16).

18. Payables		01.09.07 to 30.06.08
		\$'000
Current:		
Creditors and accrued expenses		19 097
Deposits on land sales		412
Employment on-costs		95
Total Current Payables		19 604
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors and accrued expenses		156
Employment on-costs		82
Total Payables to Other SA Government Entities		238
Payables to Non-SA Government entities:		
Creditors and accrued expenses		18 941
Deposits on land sales		412
Employment on-costs		13
Total Payables to Non-SA Government Entities		19 366
Total Payables		19 604

Interest Rate and Credit Risk

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

19. Employee Benefits		01.09.07 to 30.06.08
(a) <i>Employee Benefits</i>		\$'000
Current:	Note	
Accrued salaries and wages		60
Annual leave		201
Short-term long service leave		175
Total Current Employee Benefits		436
Total Employee Benefits		436
(b) <i>Employee Benefits and Related On-costs</i>		
Accrued Salaries and Wages, Annual Leave and Long Service Leave:		
On-costs included in payables	18	95
Provision for employee benefits	19(a)	436
Total Accrued Salaries and Wages, Annual Leave and Long Service Leave		531

20. Contributed Capital

Contributed capital represents equity contribution from the SA Government under the *Appropriation Act* to fund the investing programs of Defence SA.

21. Transferred Functions

On 1 September 2007 Defence SA subsumed the activities and operations of PAMC and the Defence Unit of the Department of Trade and Economic Development. Refer Note 2(d).

A final set of financial statements was prepared for PAMC for the two months 1 July 2007 to 31 August 2007. The income and expenses relating to the Defence Unit for the two months is reported within the financial statements of the Department of Trade and Economic Development.

The following table shows the aggregate income and expenses of the two former entities for the period 1 July 2007 to 31 August 2007 (as discussed above), together with the income and expenses for Defence SA for the 10 months from 1 September 2007 to 30 June 2008.

21. Transferred Functions (continued)	01.07.07 to 31.08.07 PAMC \$'000	01.07.07 to 31.08.07 Defence Unit \$'000	01.09.07 to 30.06.08 Defence SA \$'000	01.07.07 to 30.06.08 Total \$'000
Expenses	1 165	1 313	10 226	12 704
Income	844	-	33 807	34 651
Net Result	(321)	(1 313)	23 581	21 947

On 1 September 2007 Defence SA recognised the following assets and liabilities of the two former entities:

	PAMC \$'000	Defence Unit \$'000	01.09.07 Total \$'000
Cash	31 757	-	31 757
Receivables	504	-	504
Land	52 751	-	52 751
Plant and equipment	6	26	32
Capital works in progress	23 318	-	23 318
Total Assets	108 336	26	108 362
Payables	3 091	-	3 091
Short and long term employee benefits	242	37	279
Total Liabilities	3 333	37	3 370
Net Assets	105 003	(11)	104 992

22. Unrecognised Contractual Commitments

Capital Commitments

Capital expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	01.09.07 to 30.06.08 \$'000
Within one year	119 767
Later than one year but not longer than five years	12 044
Total Capital Commitments	131 811

Defence SA's capital commitments are to various contractors providing design and construction services for the CUF, and Supplier Precinct at Techport Australia.

Operating Commitments

Operating expenditure contracted for, as at the reporting date but not recognised as liabilities in the financial report are payable as follows:

	01.09.07 to 30.06.08 \$'000
Within one year	1 445
Later than one year but not longer than five years	1 175
Total Operating Commitments	2 620

Defence SA's operating commitments reflect grant and fee-for-service contracts for defence industry development and specialist technical and engineering advice.

Remuneration Commitments

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

	01.09.07 to 30.06.08 \$'000
Within one year	3 184
Later than one year but not longer than five years	1 848
Total Remuneration Commitments	5 032

Amounts disclosed include commitments arising from executive and other employment contracts. Defence SA does not offer fixed-term remuneration contracts greater than five years.

23. Contingent Assets and Liabilities

Contingent Assets to which a Value can be Assigned

	01.09.07 to 30.06.08 \$'000
Contingent asset to which a value can be assigned	358
Total	358

23. Contingent Assets and Liabilities (continued)

Defence SA holds a bank guarantee which can be exercised if the vendor fails to deliver unencumbered title to a parcel of land in terms of the purchase option agreement.

Contingent Liabilities to which a Value can be Assigned

	01.09.07 to 30.06.08
	\$'000
Contingent liability to which a value can be assigned	1 909
Total	1 909

Defence SA is negotiating an agreement which incorporates the provision of a rental assistance subsidy to the Commonwealth Government up to a total of \$2.465 million. As at 30 June 2008 a contingent liability has been recognised. This contingent liability represents the pro-rata component applicable for the period 28 February 2006 to 30 June 2008 which is contingent on the finalisation of the above mentioned agreement.

Contingent Liabilities to which No Value can be Assigned

The State has entered into an agreement with the Commonwealth for the construction of a CUF, including a ship lift, runway, wharf, dry berth and hard stand areas, transfer system, entrance roads and other infrastructure to support the shipbuilder in the construction of three Air Warfare Destroyers planned for the Australian Navy. The agreement requires the State to indemnify the Commonwealth from any third party losses or damages arising from a failure to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered to be remote. The indemnity is reduced to the extent the loss is caused by the negligence of the Commonwealth, the Shipbuilder or the latter's related bodies corporate. The State's potential exposure is capped at a maximum aggregate amount of \$320 million.

24. Remuneration of Board and Committee Members and Related Party Disclosure

Members of the Defence SA Advisory Board during the reporting period were:

Gen P Cosgrove, AC, MC	M Kinnaird, AO
N R Adler, AC	B Laughton
Dr I Chessell	Hon M Rann, MP**
L Fisher	RADM (Rtd), T Ruting, AM, CSC, RANR (appointed 1 January 2008)
A Fletcher*	VADM (Rtd), D Shackleton, AO
Hon K Foley, MP**	P Young

P D Robertson is an independent member of the Audit and Risk Committee.

Total income received, or due and receivable, by Advisory Board members and sub-committee members was \$259 000, plus Defence SA compulsory superannuation contributions of \$21 000.

Other expenses of Advisory Board members were \$152 000.

	01.09.07 to 30.06.08
	Number of Members
The number of members whose remuneration received or receivable falls within the following bands is:	
\$1 - \$9 999	1
\$10 000 - \$19 999	1
\$20 000 - \$29 999	6
\$40 000 - \$49 999	1
\$50 000 - \$59 999	1
	10

* In accordance with the Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for Board/Committee duties during the period.

** The Premier and the Deputy Premier did not receive any remuneration for Board/Committee duties during the period.

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

Dr I Chessell also provided services to Defence SA on a contract basis. Total contractual payments for the period were \$11 252.

Air Marshal Les Fisher, AO is Chairman of Aerospace Australia Limited. Defence SA will participate in the Australian International Airshow and Aerospace and Defence Exposition in March 2009, which is an event managed by Aerospace Australia Limited.

25. Cash Flow Reconciliation

	01.09.07 to 30.06.08
	\$'000
Reconciliation of Cash - Cash at 30 June as per:	
Cash Flow Statement	44 646
Balance Sheet	44 646

25. Cash Flow Reconciliation (continued)		01.09.07 to
Reconciliation of Net Cash provided by Operating Activities to Net Surplus		30.06.08
from Provision of Services:	Note	\$'000
Net cash provided by operating activities		23 773
Less: Revenues from SA Government	12	(15 730)
<i>Add (Less): Non-Cash Items:</i>		
Payables assumed on restructure		339
Receivables assumed on restructure		(504)
Employee benefits assumed on restructure		279
Depreciation		(14)
Prior period capital work in progress expensed		(174)
<i>Movement in Assets/Liabilities:</i>		
Increase in receivables		3 291
Increase in payables		(3 000)
Increase in employee benefits		(409)
Net Surplus from Provision of Services for Operating Activities		7 851

26. Financial Instruments/Financial Risk Management***Categorisation of Financial Instruments***

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

		01.09.07 to
		30.06.08
		Carrying
		Amount
Financial Assets:	Note	\$'000
Deposit with the Treasurer	13,25	44 646
Receivables (at cost) ⁽¹⁾	14	178
Financial Liabilities:		
Payables (at cost) ⁽¹⁾	18	17 884

(1) Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost. The carrying amounts represent fair value.

Credit Risk

Credit risk arises when there is the possibility of Defence SA's debtors defaulting on their contractual obligations resulting in financial loss to Defence SA. Credit risk is measured on a fair value basis and risk is monitored on a regular basis.

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

Provisions for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently Defence SA does not hold any collateral as security to any of its financial assets. At reporting date, there is no evidence to indicate that any of the financial assets are impaired.

Ageing Analysis of Financial Assets past due including Impaired Assets

Defence SA has no impaired financial assets and financial assets past due are immaterial.

Maturity Analysis of Financial Assets and Liabilities

All Defence SA financial assets and liabilities mature within one year.

Liquidity Risk

Defence SA is funded principally from appropriations by the SA Government. Defence SA works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The continued existence of Defence SA is dependent on State Government policy and on continuing appropriations by Parliament for the administration and programs of Defence SA. Defence SA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The exposure of Defence SA to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk

Defence SA has no interest bearing assets or liabilities. There is no exposure to foreign currency or other price risks as all significant contracts are in Australian dollars.

Sensitivity Analysis Disclosure

A sensitivity analysis has not been undertaken for interest rate risk given the exposure.

27. Events After Balance Date

There are no reportable after balance date events.

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