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SOUTH AUSTRALIA

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2009

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2009

Report of the Auditor-General
Annual Report for the year ended 30 June 2009

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. 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.

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Environment and Heritage (the Department) is an administrative unit established under the PSM Act, and is responsible to the Minister for Environment and Conservation.

Functions

The Department's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation and animal welfare

- managing the State's public land, which includes national parks, marine parks, botanic gardens and coastline

- being a custodian of information and knowledge about the State's environment.

Note 1 of the financial statements provides further explanation on the objectives of the Department.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

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

Scope of audit

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

During 2008-09, areas of review included:

- accounts payable
- revenue, receipting and banking
- payroll
- grants
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the 2008-09 Independent Auditor's Report, which details the qualification to the Department's financial report.

Basis for Qualified Auditor's Opinion

Property, Plant and Equipment reported in the Statement of Administered Financial Position excludes Unallotted Crown Land as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of Crown Land Property, Plant and Equipment included in the Statement of Administered Financial Position.

This is disclosed in Note A1(c) to the Administered Financial Statements.

As the integrity of Crown Land holdings and values administered by the Department has not been ascertained, I am unable to form an opinion on the reasonableness of the values of Property, Plant and Equipment relating to Crown Lands, brought to account in the Statement of Administered Financial Position.

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department for Environment and Heritage as at 30 June 2009, 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.*

Fixed assets - accounting for Crown land

Background

Over a number of years, Audit has commented on the accounting treatment of Crown land and the completeness and accuracy of Crown land base information.

The Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of unallotted Crown land. Hence these land holdings have not been reflected in the administered financial statements.

Certain Crown land has been included in the Statement of Administered Financial Position in prior years. However there have been limitations on the reliability of base information used to value this land.

As a result, the Independent Auditor's Report on the Department's financial statements in past years qualified administered property, plant and equipment relating to Crown land.

The Department commenced a Crown Lands Database project in 2007-08 to address audit qualification issues raised in prior years. The scope of this project included:

- establishment of policies and procedures for the management of Crown Land assets
- changes to the Tenements and Billing System (TABS)
- analysis of data quality and data cleansing requirements
- implementation of appropriate conversion processes from the Land Ownership and Tenure System (LOTS) database to TABS
- implementation of an interface between TABS and Masterpiece Fixed Assets.

This project has continued in 2008-09.

2008-09 developments

During 2008-09, the project team completed the transfer of data from the LOTS database to TABS. The team also completed the majority of data cleansing required to ensure the integrity of Crown lands data reflected in TABS.

In 2009-10, the Department plans to finalise an appropriate valuation methodology for all Crown Land, with a view to reflecting all unallotted Crown land in the administered financial statements for the first time.

2008-09 Independent Auditor's Report

The Crown Lands Database project has made significant progress in 2008-09. However unallotted Crown land is not yet reflected in the administered financial statements. Limitations on the base information used to value Crown land included in the administered financial statements also remain.

In addition, the Department has not finalised an appropriate valuation methodology for all Crown Land.

As a result, the Independent Auditor's Report to the financial statements again qualifies the completeness and valuation of Crown land included in the Statement of Administered Financial Position.

Assessment of controls

In my opinion, the controls exercised by the Department for Environment and Heritage in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of the revised TIs 2 and 28, payroll, fixed assets and cash as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Environment and Heritage 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. The Department's responses to the letters indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the Department.

Implementation of the revised TIs 2 and 28

In order to address TI 2 and TI 28 requirements, the Department developed a draft Financial Management Compliance Plan. This draft plan outlined the Department's main compliance activities, including details of responsible officers and the planned frequency for each compliance activity. However Audit noted the Financial Management Compliance Plan was yet to be finalised, formally endorsed by senior management and distributed to responsible officers.

The Department responded that although the Financial Management Compliance Plan was yet to be finalised, ongoing controls were in place and compliance activities for each component under the plan were assessed through mechanisms such as manager's checklists and internal audit processes.

The manager checklist process and internal audit review of compliance activities were completed in August 2009.

Audit also identified scope for improvement in updating risk registers and policies and procedures:

- *Risk register* – the Department's risk register had not been updated for over 18 months. The Department's risk register was subsequently reviewed, updated and approved in August 2009.

- *Risk management procedure* – the risk management procedure had not been updated since June 2005. The risk management procedure was subsequently reviewed, updated and approved in August 2009.

- *Policy and procedure framework* – the Department's policy and procedure framework had not been updated since October 2002. The Department responded that this framework is scheduled for review in 2009-10.

- *Fraud awareness procedure* – the Department had developed a draft fraud awareness procedure, however it was yet to be formally endorsed and distributed to all employees. The fraud awareness procedure was subsequently approved in August 2009.

Payroll

Audit review of payroll identified the following issues:

- Human Resource (HR) policies, procedures and forms were not updated to reflect the transition to shared services and devolution of payroll checking responsibilities to divisional HR Administrators. The Department responded that HR forms have now been updated to reflect these changes. HR administration, line managers and staff have also been informed of the new arrangements and checking requirements.

- There was no monitoring to ensure all pay points reviewed their bona fide reports. The Department responded that a register will be established to ensure all bona fide reports for all pay points are certified in a timely manner. This new process will also be formally documented and communicated to designated staff.

- There was no monitoring to ensure all pay points checked their leave reports. The Department indicated that it is currently investigating the implementation of the Timewise system which will automate the reconciliation of leave with CHRIS. An interim system has been established to ensure leave reports are checked and signed in a timely manner.

- Directorate heads often did not ensure excessive leave was appropriately authorised. This issue was also raised in 2007-08. The Department responded that further systems will be established to ensure the appropriate authorisation of excessive leave.

Given these control issues, Audit increased the level of payroll substantive testing to gain audit assurance over relevant amounts reported in the financial statements.

Fixed assets

Audit review of fixed assets identified the following issues:

- Variances between the ARAMIS asset system and Masterpiece Fixed Assets Register (MPFAR) were not cleared in a timely manner. However these variances were corrected and cleared as part of reconciliations performed as at 30 June 2009.

- Large changes in individual asset values arising from revaluations during the year were not formally analysed and communicated to senior management. However these changes were subsequently reviewed by management in August 2009.

- Useful life changes advised by valuers were not reviewed for reasonableness and the impact of these changes on depreciation expense in current and future periods was not calculated and documented. The Department reviewed the reasonableness of these changes and assessed their impact on depreciation expense in August 2009.

Audit also noted the responsibility for fixed asset accounting transferred from the Department to Shared Services SA (SSSA) in June 2009. However the Department has retained responsibility for key asset systems, including maintenance of ARAMIS. There are risks associated with splitting fixed asset systems and processing responsibilities between two agencies. It is possible that information flows between ARAMIS and MPFAR may not be systematic. Discrepancies between the two systems may also not be efficiently and effectively identified and corrected. This is particularly the case given there are no automated interfaces between the two systems. Audit suggested the Department and SSSA implement appropriate policies and procedures to minimise these risks.

Cash

Payroll related reconciling items on the bank reconciliation were not adequately explained and cleared in a timely manner. However these reconciling items were corrected prior to 30 June 2009.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
EXPENSES		
Employee benefits	**84**	80
Supplies and services	**65**	53
Depreciation and amortisation	**20**	22
Other expenses	**9**	11
Total expenses	**178**	166
INCOME		
Fees and charges	**21**	17
Grants and contributions	**18**	15
Other revenue	**2**	6
Total income	**41**	38

	2009 $'million	2008 $'million
Net cost of providing services	**137**	128
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues from SA Government	**132**	130
Payments to SA Government	**(7)**	(25)
Net result	**(12)**	(23)
OTHER COMPREHENSIVE INCOME	**16**	5
Total comprehensive result	**4**	(18)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**18**	5
ASSETS		
Current assets	**115**	109
Non-current assets	**312**	298
Total assets	**427**	407
LIABILITIES		
Current liabilities	**30**	24
Non-current liabilities	**20**	19
Total liabilities	**50**	43
EQUITY	**377**	364

Statement of Comprehensive Income

Expenses

Total expenses increased by $12 million (7 percent). The major items causing this change were:

- employee benefits increased by $4 million due mainly to increased resources deployed on fire fighting and Coorong, Lower Lakes and Murray Mouth emergency work and long term planning. The increase is also due to Enterprise Bargaining Agreement salary rate increases, classification step increases and higher average full time equivalent employees
- supplies and services increased by $12 million due mainly to increases in fee for service expenses ($7 million), general administration expenses ($1 million) and sand replenishment expenses ($1 million). The increase in fee for service expenses is primarily due to State Water Security program emergency works and costs incurred for a feasibility study on the long term management of the Coorong, Lower Lakes and Murray Mouth. The increase in general administration expenses is due to fees paid to SSSA. Higher sand replenishment costs relate to increased sandcarting activity as part of the Adelaide Living Beaches project
- depreciation and amortisation decreased by $2 million, due mainly to the extension of asset useful lives and certain assets becoming fully depreciated during 2008-09.

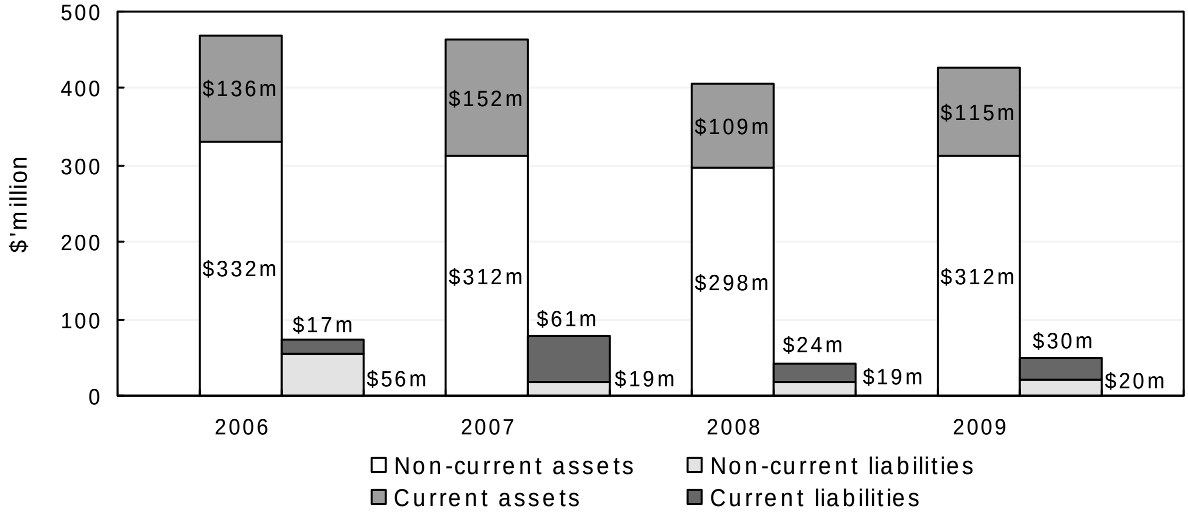
Income

Total income increased by $3 million (8 percent). The major items causing this change were:

- fees and charges increased by $4 million due mainly to an increase in the sale of support services relating to a feasibility study for the long term management of the Coorong, Lower Lakes and Murray Mouth
- grants and contributions increased by $3 million due mainly to an increase in grants received from Natural Resource Management Boards
- other income decreased by $4 million, due to significant one-off SAICORP insurance recoveries in 2007-08.

Statement of Financial Position

For the four years to 2009, a structural analysis of assets and liabilities is shown in the following chart.



The Department's assets comprise two main items, property, plant and equipment and cash.

Non-current assets - property, plant and equipment

In 2009 this item makes up 72 percent (73 percent) of total assets. Land, buildings and improvements and park infrastructure are the dominant items of property, plant and equipment. Note 26 provides further details of items and amounts.

Property, plant and equipment increased from $295 million to $309 million, due mainly to net revaluation increments of $16 million and additions of $15 million, offset by depreciation expense of $20 million.

Current assets - cash

This item, $103 million ($101 million) represents 90 percent (93 percent) of total current assets and 24 percent (25 percent) of total assets. The main component of cash in 2008-09 is the accrual appropriation account of $93 million (90 percent). This is further discussed below under Statement of Cash Flows.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2009.

	2009 $'million	2008 $'million	2007 $'million	2006 $'million
Net cash flows				
Operating	**17**	5	29	35
Investing	**(15)**	(12)	(12)	(14)
Financing	**-**	(38)	-	-
Change in cash	**2**	(45)	17	21
Cash at 30 June	**103**	101	146	129

The Department's cash at 30 June 2009 comprises operating deposit accounts ($10 million) and an accrual appropriation account ($93 million). Access to the accrual appropriation account is subject to the Treasurer's/Under Treasurer's approval.

Cash increased by $2 million in 2008-09. This is mainly due to an increase in receipts from SA Government.

Administered items

Grants and subsidies

Grants and subsidies decreased by $20 million to $6 million, due mainly to a one-off grant of $19 million made to Zoos SA for a new entrance and underwater fairy penguin enclosure in 2007-08.

Revenues from SA Government

Revenues from SA Government decreased by $19 million to $5 million. The appropriation was significantly higher in 2007-08 to fund the grant to Zoos SA.

FURTHER COMMENTARY ON OPERATIONS

Adelaide's Living Beaches Project

The Government of South Australia approved a new strategy in November 2005 for managing Adelaide's metropolitan beaches – *Adelaide's Living Beaches – A Strategy for 2005-25*. The strategy will investigate and develop infrastructure to manage Adelaide's beaches within five cells along the metropolitan coastline. The project is expected to complete construction of infrastructure by June 2011.

The total project budget to 2011-12 is $63.8 million converting to an indexed estimated annual operational budget of $4.8 million from that point on. The total project budget provides $23 million for construction of sand transfer infrastructure.

The project expenditure for 2008-09 was $9.1 million. Costs incurred to date of $29.3 million have primarily been in the areas of project establishment costs, sand collection and pumping pipeline trials and ongoing programs of beach replenishment sandcarting and harbour maintenance dredging. Project costs totalling $2.4 million, primarily relating to construction of the Semaphore Park Breakwater, are reflected in capital works in progress as at 30 June 2009. The remainder of costs incurred to date on the project have been expensed.

Marine Parks Project

The Government of South Australia provided $4.2 million over four years for the Marine Parks project in the 2007-08 budget. The purpose of the project is to establish and maintain a representative system of marine protected areas in South Australian waters.

The project scope includes the design, establishment and management of 19 multiple use marine parks, including the development of management plans and zoning arrangements for each park.

The total project budget to 2010-11 is $13.8 million, which includes both Living Coasts Strategy funding, as well as the supplementary $4.2 million of specific marine parks funding.

The project expenditure for 2008-09 was $3.7 million, with total project costs incurred to date of $6.9 million.

Statement of Comprehensive Income for the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
EXPENSES:			
Employee benefits	5	**83 831**	79 595
Supplies and services	6	**64 802**	53 160
Grants and subsidies	7	**4 168**	4 258
Depreciation and amortisation	8	**19 911**	22 023
Borrowing costs	9	**-**	22
Net loss from disposal of non-current assets	10	**3 006**	5 089
Net loss (gain) from disposal of land held for sale	17	**840**	(52)
Other expenses	11	**1 848**	1 765
Total expenses		**178 406**	165 860
INCOME:			
Fees and charges	12	**21 492**	17 030
Grants and contributions	13	**17 617**	15 350
Interest revenue	14	**133**	188
Resources received free of charge	15	**-**	32
Net gain from disposal of financial assets	16	**-**	-
Other income	18	**1 591**	5 702
Total income		**40 833**	38 302
NET COST OF PROVIDING SERVICES		**137 573**	127 558
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	19	**132 259**	129 505
Payments to SA Government	19	**(6 434)**	(24 900)
Total revenues from SA Government		**125 825**	104 605
NET RESULT		**(11 748)**	(22 953)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation reserve	26	**16 121**	4 821
TOTAL COMPREHENSIVE RESULT		**4 373**	(18 132)

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position as at 30 June 2009

	Note	**2009 $'000**	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	20	**103 408**	100 565
Receivables	21	**9 495**	6 094
Inventories	22	**1 141**	1 376
Other current assets	23	**436**	421
Total current assets		**114 480**	108 456
NON-CURRENT ASSETS:			
Receivables	21	**44**	36
Non-current assets held-for-sale	24	**-**	950
Financial assets	25	**3**	8
Property, plant and equipment	26	**309 141**	295 219
Intangible assets	27	**2 747**	1 765
Total non-current assets		**311 935**	297 978
Total assets		**426 415**	406 434
CURRENT LIABILITIES:			
Payables	28	**20 281**	14 977
Employee benefits	29	**9 009**	7 601
Provisions	30	**345**	421
Other current liabilities	31	**637**	579
Total current liabilities		**30 272**	23 578
NON-CURRENT LIABILITIES:			
Payables	28	**1 792**	1 452
Employee benefits	29	**15 037**	14 421
Provisions	30	**1 017**	1 088
Other non-current liabilities	31	**1 633**	1 989
Total non-current liabilities		**19 479**	18 950
Total liabilities		**49 751**	42 528
NET ASSETS		**376 664**	363 906
EQUITY:			
Asset revaluation reserve	32	**185 851**	169 730
Retained earnings	32	**190 813**	194 176
TOTAL EQUITY		**376 664**	363 906

Total equity is attributable to the SA Government as owner

	Note
Expenditure commitments	34
Contingent liabilities	35

Statement of Changes in Equity
for the year ended 30 June 2009

	Note	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2007	32	165 661	218 732	384 393
Asset adjustments previously recognised:				
ARAMIS revisions	32	-	446	446
First time recognition of assets errors	32	-	2 859	2 859
Asset adjustments this reporting period:				
Prior period asset errors	32	(752)	(4 679)	(5 431)
Other error corrections:				
Receivable raised in error	32	-	(229)	(229)
Restated Balance at 1 July 2007	32	164 909	217 129	382 038
Net result for 2007-08	32	-	(22 953)	(22 953)
Net increment related to revaluations	32	4 821	-	4 821
Total comprehensive result for 2007-08		4 821	(22 953)	(18 132)
Balance at 30 June 2008	32	169 730	194 176	363 906
Net result for 2008-09	32	-	(11 748)	(11 748)
Net increment related to revaluations	32	16 121	-	16 121
Total comprehensive result for 2008-09		16 121	(11 748)	4 373
Asset adjustments - first time recognition of assets	32	-	7 374	7 374
Asset adjustments - ARAMIS revisions upwards/downwards	32		1 011	1 011
Total asset adjustments		-	8 385	8 385
Balance at 30 June 2009	32	**185 851**	**190 813**	**376 664**

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

Statement of Cash Flows
for the year ended 30 June 2009

		2009 Inflows (Outflows)	2008 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(81 381)**	(78 196)
Supplies and services payments		**(69 796)**	(63 559)
Grants and subsidies payments		**(4 383)**	(4 258)
Interest paid		**-**	(246)
GST paid to ATO		**(95)**	-
Other payments		**(12)**	(30)
Cash used in operations		**(155 667)**	(146 289)
CASH INFLOWS:			
Fees and charges		**21 085**	20 938
Grant and contribution receipts		**19 085**	15 350
Interest received		**142**	187
GST recovered from the ATO		**5 832**	4 896
Other receipts		**1 591**	5 702
Cash generated from operations		**47 735**	47 073
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**132 259**	129 505
Payments to SA Government		**(6 434)**	(24 900)
Total cash generated from SA Government		**125 825**	104 605
Net cash provided by operating activities	33	**17 893**	5 389
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(15 194)**	(12 265)
Proceeds from sale of investments		**5**	-
Proceeds from sale of property, plant and equipment		**139**	152
Net cash used in investing activities		**(15 050)**	(12 113)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		**-**	(38 054)
Net cash used in financing activities		**-**	(38 054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2 843**	(44 778)
CASH AND CASH EQUIVALENTS AT 1 JULY		**100 565**	145 343
CASH AND CASH EQUIVALENTS AT 30 JUNE		**103 408**	100 565

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009

(Activities - refer Note 4)	1		2		3		4	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**16 394**	15 637	**11 747**	11 504	**5 412**	6 225	**7 941**	8 187
Supplies and services	**14 168**	10 608	**9 959**	9 639	**2 312**	2 250	**2 982**	2 871
Grants and subsidies	**1 390**	1 080	**57**	6	**30**	34	**290**	1 133
Depreciation and amortisation	**8 939**	9 977	**8 939**	9 977	**110**	160	**209**	297
Borrowing costs	**-**	-	**-**	-	**-**	-	**-**	-
Net loss from disposal of non-current assets	**-**	-	**-**	-	**-**	-	**-**	-
Net (gain) loss from disposal of land held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Other expenses	**28**	89	**1 365**	846	**(8)**	9	**-**	1
Total expenses	**40 919**	37 391	**32 067**	31 972	**7 856**	8 678	**11 422**	12 489
INCOME:								
Fees and charges	**2 006**	1 034	**9 314**	8 435	**1 147**	1 176	**2 980**	3 145
Grants and contributions	**9 620**	8 663	**21**	166	**605**	65	**1 119**	667
Interest	**21**	33	**96**	136	**-**	-	**11**	12
Assets received free of charge	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**66**	38	**38**	4 053	**111**	990	**51**	62
Total income	**11 713**	9 768	**9 469**	12 790	**1 863**	2 231	**4 161**	3 886
NET COST OF PROVIDING SERVICES	**29 206**	27 623	**22 598**	19 182	**5 993**	6 447	**7 261**	8 603
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Total net revenues from SA Government	**-**	-	**-**	-	**-**	-	**-**	-
NET RESULT	**(29 206)**	(27 623)	**(22 598)**	(19 182)	**(5 993)**	(6 447)	**(7 261)**	(8 603)

(Activities - refer Note 4)	5		6		7		8	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**5 768**	5 053	**4 061**	3 828	**1 559**	1 695	**192**	181
Supplies and services	**7 486**	5 076	**2 297**	2 189	**1 391**	1 254	**37**	26
Grants and subsidies	**696**	433	**76**	82	**486**	684	**660**	580
Depreciation and amortisation	**308**	253	**99**	213	**191**	167	**-**	-
Borrowing costs	**-**	-	**-**	-	**-**	-	**-**	-
Net loss from disposal of non-current assets	**-**	-	**-**	-	**-**	-	**-**	-
Net (gain) loss from disposal of land held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Other expenses	**-**	-	**38**	449	**17**	114	**-**	-
Total expenses	**14 258**	10 815	**6 571**	6 761	**3 644**	3 914	**889**	787
INCOME:								
Fees and charges	**25**	12	**75**	1	**736**	812	**5**	3
Grants and contributions	**1 548**	949	**1 674**	2 231	**61**	63	**-**	-
Interest	**-**	-	**-**	-	**-**	-	**-**	-
Assets received free of charge	**-**	-	**-**	-	**-**	-	**-**	-
Other income	**-**	15	**53**	31	**3**	24	**-**	-
Total income	**1 573**	976	**1 802**	2 263	**800**	899	**5**	3
NET COST OF PROVIDING SERVICES	**12 685**	9 839	**4 769**	4 498	**2 844**	3 015	**884**	784
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**-**	-	**-**	-	**250**	250	**-**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-	**-**	-
Total net revenues from SA Government	**-**	-	**-**	-	**250**	250	**-**	-
NET RESULT	**(12 685)**	(9 839)	**(4 769)**	(4 498)	**(2 594)**	(2 765)	**(884)**	(784)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009 (continued)

(Activities - refer Note 4)	9		10		11		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**21 205**	27 285	**883**	-	**8 669**	-	**83 831**	79 595
Supplies and services	**14 285**	19 247	**1 864**	-	**8 021**	-	**64 802**	53 160
Grants and subsidies	**431**	226	**50**	-	**2**	-	**4 168**	4 258
Depreciation and amortisation	**481**	979	**1**	-	**634**	-	**19 911**	22 023
Borrowing costs	**-**	22	**-**	-	**-**	-	**-**	22
Net loss from disposal of non-current assets	**3 006**	5 089	**-**	-	**-**	-	**3 006**	5 089
Net (gain) loss from disposal of land held for sale	**840**	(52)	**-**	-	**-**	-	**840**	(52)
Other expenses	**402**	257	**-**	-	**6**	-	**1 848**	1 765
Total expenses	**40 650**	53 053	**2 798**	-	**17 332**	-	**178 406**	165 860
INCOME:								
Fees and charges	**1 153**	2 412	**2 885**	-	**1 166**	-	**21 492**	17 030
Grants and contributions	**2 723**	2 546	**-**	-	**246**	-	**17 617**	15 350
Interest	**5**	7	**-**	-	**-**	-	**133**	188
Assets received free of charge	**-**	32	**-**	-	**-**	-	**-**	32
Other income	**1 088**	489	**-**	-	**181**	-	**1 591**	5 702
Total income	**4 969**	5 486	**2 885**	-	**1 593**	-	**40 833**	38 302
NET COST OF PROVIDING SERVICES	**35 681**	47 567	**(87)**	-	**15 739**	-	**137 573**	127 558
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**132 009**	129 255	**-**	-	**-**	-	**132 259**	129 505
Payments to SA Government	**(6 434)**	(24 900)	**-**	-	**-**	-	**(6 434)**	(24 900)
Total net revenues from SA Government	**125 575**	104 355	**-**	-	**-**	-	**125 825**	104 605
NET RESULT	**89 894**	56 788	**87**	-	**(15 739)**	-	**(11 748)**	(22 953)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department for Environment and Heritage

The Department for Environment and Heritage (the Department) is responsible for nature conservation, heritage conservation and animal welfare. We collect and provide information and knowledge about the State's environment. We manage the State's public land, which includes our national parks, marine parks, botanic gardens and coastline. We also advise on environment policy.

This is achieved through commitment to the following objectives:

Involving all South Australians
Encouraging all South Australians to enjoy and be actively involved with their rich heritage and diverse natural environments.

A healthy environment
Improving South Australia's rich heritage and diverse natural environments, both public and private, particularly sites and places of state significance.

Sustainable growth
Facilitating economic growth and work to help others recognise that sound environmental management and economic growth are complementary contributors to the sustainable growth of our State.

Better decisions and partnerships
Providing quality information and policy advice based on evidence and research. Building and maintaining strong partnerships to deliver better decisions and results.

Getting results
Making sure that the Department is accountable and well led, and gets the results it sets out to achieve.

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Department has early-adopted, 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 2009.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying the Department's accounting policies. Areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- the selection and application of accounting policies 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 APS require the following Note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items may be utilised. The Department has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed

  (b) expenses incurred as a result of engaging consultants

  (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or other wise 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 Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

(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 statements include all the controlled activities of the Department. 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 Department's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared the transition of:

- payroll services to Shared Services SA from 4 August 2008. This transition was approved by Cabinet on 15 October 2007
- accounts payable services to Shared Services SA from 20 October 2008. This transition was approved by Cabinet on 20 October 2007
- financial reporting, general ledger, credit card and systems reporting to Shared Services SA on 9 June 2009. This transition was approved by Cabinet on 4 June 2009

For further information on the Shared Services SA transition refer to Note 36.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except were adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg in preparing a single Statement of Comprehensive Income.

(f) Rounding

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

(g) 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:

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

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

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

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

(h) Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Department will occur and can be reliably measured.

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

The 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.

Contributions received

Contributions are recognised as an asset and income when the Department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Generally, the Department 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 (i.e. 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 Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Resources received free of charge

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

Net gain from the 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 is determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Revenues from SA Government
Appropriations for activity funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Other income
Other income consists of salaries and wages recoveries, sponsorships and donations, recoveries of insurance claims lodged with SAICORP and other sundry income.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

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

Employee benefits
Employee benefits include all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Statement of Comprehensive Income represents the contributions made by the 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 general purpose financial statements.

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution and the expense recognition criteria are met.

Payments to SA Government
Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy and are paid directly to the Consolidated Account.

(k) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve 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 twelve months and more than twelve months, the Department has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(l) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(m) Receivables

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally receivable within 30 days after the issue of an invoice.

Collectability 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.

(n) Inventories

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

(n) Inventories (continued)

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all inventory is measured on the basis of 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/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.

(o) Financial assets

The Department measures financial assets at historical cost.

(p) 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.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a 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 $5000 or greater are capitalised.

Assets deemed to be at fair value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value.

Heritage assets

In accordance with APF III, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land comprising national, conservation and recreation parks and wilderness protection areas and reserves generally have restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of Crown land actually included in the Statement of Administered Financial Position.

(q) Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of a non-current asset, 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 Department revalues its land, buildings and leasehold improvements on at least a three year rolling basis. 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, when they are revalued to fair value.

Property, plant and equipment assets due for revaluation are assessed to determine whether they should be classified as generic assets or unique assets.

Generic building, infrastructure and road assets are valued using a data dictionary approach. Plant and equipment and moveable vehicle assets were also valued using a data dictionary approach for the first time as at 30 June 2008. The data dictionary model is contained within the Department's ARAMIS system. The data dictionary model calculates a value for an asset based on description, grade/composition, condition and size/quantity. For buildings, infrastructure and roads, the model value is adjusted by a locality factor to take into account climatic conditions. The valuation model itself is reviewed every three years.

Unique assets are items which cannot be categorised within standard data dictionary groups. Assets that are deemed to be unique are externally valued by independent professional valuers.

(q) Revaluation of non-current assets (continued)

The valuers used by the Department are as follows:

- Data dictionary: Buildings, infrastructure and roads
  1 July 2008, Valcorp Australia Pty Ltd,
  Mr F. Taormina, BAppSc(Val), AAPI
- Data dictionary: Plant and equipment and moveable vehicles
  30 June 2008, Valcorp Australia Pty Ltd,
  Mr F. Taormina, BAppSc(Val), AAPI
- Independent professional valuation
  1 July 2008, Valcorp Australia Pty Ltd,
  Mr AJ Lucas, MBA, BAppSc(Val), DipAcc, AAPI

The fair value of unique items was determined by identifying a market buying price, estimated as written down modern equivalent replacement cost. The fair value of land and buildings was based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

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 Statement of Comprehensive Income, in which case the increase is recognised in the Statement of Comprehensive Income.

Any revaluation decrease is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increase for the same asset 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 restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

(r) Impairment

All non-current tangible and intangible assets are tested for indications 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.

(s) Non-current assets (or disposal groups) held for sale

Non-current assets classified as held for sale are 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 Statement of Financial Position.

(t) 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 computer 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:

Class of asset	*Useful life (years)*
Buildings and improvements	1-70
Computing equipment	3-5
Furniture and fittings	5-20
Moveable vehicles	2-40
Park infrastructure	3-65
Plant and equipment	1-25
Roads, tracks and trails	3-60
Other	1-65
Intangible assets:	
Computer software	3-10
Other (war services leases)	45

(u) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis. For the war services leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $5000.

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

(v) 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 of the invoice or 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 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.

(w) Employee benefits

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

Wages, salaries, annual leave and sick leave

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

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

In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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.

Employee benefit on-costs
Employee benefit on-costs (payroll tax, workers compensation 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 Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(x) Financial guarantees
The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2009 (there was no material liability recognised for financial guarantee contracts in 2008).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at Note 35.

(y) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has entered into one or more operating leases.

Operating leases
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Lease incentive
The Department entered into an operating lease for accommodation whereby it received an incentive, in the form of a rent free period. A liability has been recognised to reflect the deferred benefits received under the lease incentive arrangement and is systematically reduced by the allocation of lease rental payments between rental expense and reduction of the lease incentive liability.

(z) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Changes in accounting policy
Details of the accounting policies that the Department has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on the Department's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are also detailed below.

Restructure of administrative arrangements
In accordance with the revised AASB 1004, the Department records restructures of administrative arrangements as transactions with owners in their capacity as owners rather than recording these events as a revenue/expense item.

Other
The Department has early-adopted AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101). This standard requires the preparation of a Statement of Comprehensive Income and certain terminology changes.

AASB 1052 requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. The Department cannot currently reliably attribute assets and liabilities across activities. Hence this additional disclosure has not been made.

Except for the amendments to AASB 101, which the Department 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 Department for the period ending 30 June 2009. 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 statements of the Department.

4. Activities of the Department

In achieving its objectives, the Department provides a range of services classified into the following activities:

Activity 1: Nature Conservation
Protecting, maintaining, improving and restoring ecosystems, habitats, species and populations by developing nature conservation policies and programs with industries, government and communities and by undertaking and supporting research, surveys and monitoring of South Australia's biodiversity.

Activity 2: Public Land - Visitor Management
Promoting public enjoyment and the conservation of the state's natural and cultural heritage through the provision of sustainable opportunities for environmentally sensitive, economically viable and socially responsible visitor experiences.

Activity 3: Public Land - Fire Management
Managing fire to reduce the risk to life and property, and conserve our natural and cultural heritage on lands managed by DEH.

Activity 4: Public Land - Stewardship
Ensuring that public lands and protected areas are managed effectively.

Activity 5: Coast and Marine Conservation
Ensuring the conservation, protection and ongoing sustainable productivity of South Australia's coastal, estuarine and marine environments.

Activity 6: Botanic Gardens Management
Managing the natural and cultural resources of the Botanic Gardens and State Herbarium to advance plant conservation and sustainable horticulture practices, and to enrich society.

Activity 7: Heritage Conservation
Ensuring that the state's built and maritime heritage and heritage objects are identified, protected, conserved, maintained and celebrated.

Activity 8: Animal Welfare
Ensuring animals are treated humanely and that companion animals are managed appropriately.

Activity 9: Agency Support Services
The provision of business support services to the various operational units within the Department for Environment and Heritage, the Environment Protection Authority, Zero Waste SA and other related boards and committees. These services include the provision and management of information to support the state's environmental needs, human resource management, payroll, financial management, IT infrastructure, IT Helpdesk support, facilities management, project management, asset management, administrative support, business planning, governance, government business, executive support, public affairs, procurement and environmental policy advice.

Activity 10: Adaptive Management of the Lower Lakes and Coorong
Securing the long-term future of the Coorong, Lower Lakes and Murray Mouth as a healthy, productive and resilient wetland system that maintains its international importance.

Activity 11: Knowledge and Information
Building an innovative and sustainable knowledge and information capacity through research, analysis, monitoring and coordination of information, science and technological business activities in collaboration with the Department for Environment and Heritage programs, partner organisations and the community.

The disaggregated disclosures schedule of expenses and income presents information regarding the Department's activities for the years ended 30 June 2009 and 30 June 2008.

5. Employee benefits	**2009**	2008
	$'000	$'000
Salaries and wages	**60 007**	57 799
Annual leave	**5 610**	5 162
Long service leave	**2 645**	2 040
Employment on-costs - superannuation	**7 854**	7 117
Employment on-costs - other	**4 497**	4 473
Board and Committee fees	**47**	48
Other employment related expenses	**3 171**	2 956
Total employee benefits	**83 831**	79 595

Employee remuneration

The table below includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $8.647 million. ($7.562 million).

Employee remuneration (continued)

The number of employees who received remuneration of $100 000 or more during the year, falls within the following bands:	**2009 Number**	2008 Number
$100 000 - $109 999	**34**	31
$110 000 - $119 999	**11**	5
$120 000 - $129 999	**2**	3
$130 000 - $139 999	**4**	3
$140 000 - $149 999	**4**	6
$150 000 - $159 999	**4**	2
$160 000 - $169 999	**1**	3
$170 000 - $179 999	**3**	-
$180 000 - $189 999	**-**	3
$190 000 - $199 999	**2**	-
$200 000 - $209 999	**-**	-
$210 000 - $219 999	**-**	1
$220 000 - $229 999	**1**	-
$230 000 - $239 999	**1**	1
$310 000 - $319 999	**-**	1
$320 000 - $329 999	**-**	-
$330 000 - $339 999	**1**	-
Total number of employees	**68**	59

6. Supplies and services

	2009 $'000	2008 $'000
Accommodation and property management	**9 031**	8 911
Consultants	**221**	195
Contractors	**4 862**	4 516
Cost of goods sold	**788**	834
External auditors remuneration	**238**	214
Fee-for-service	**17 687**	10 300
General administration	**4 427**	3 348
Heritage advisers	**541**	469
Information technology and communication expenses	**6 333**	6 214
Minor works, maintenance and equipment	**7 533**	7 219
Monitoring fees	**145**	219
Sand replenishment	**3 032**	1 985
Scientific and technical services	**1 904**	1 309
Transportation	**273**	258
Travel and accommodation	**1 537**	1 600
Vehicle and aircraft	**5 059**	4 647
Other	**1 191**	922
Total supplies and services	**64 802**	53 160

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:

	2009		2008	
	Number	**$'000**	Number	$'000
Below $10 000	**11**	**37**	8	54
Between $10 000 - $50 000	**5**	**103**	8	141
Above $50 000	**1**	**81**	-	-
Total paid / payable to the consultants engaged	**17**	**221**	16	195

External auditor's remuneration

External auditor's remuneration (included in the external's auditors remuneration expense amount shown above) represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General's Department.

	2009 $'000	2008 $'000
Audit fees paid/payable to the Auditor-General's Department	**238**	214
Total external auditor's remuneration	**238**	214

Supplies and services provided by entities within SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Accommodation and property management	**4 869**	4 696
External auditors remuneration	**238**	214
Fee-for-service	**1 044**	201
General administration	**587**	346
Total supplies and services provided by entities within the SA Government	**6 738**	5 457

7. Grants and subsidies

	2009 $'000	2008 $'000
Community organisations and associations	**1 438**	2 462
Grant refunds:		
Local Government	**2**	-
Entities within the SA Government	**102**	34
Individuals - heritage, fencing and other agreements	**266**	285
Local Government	**670**	399
Entities within the SA Government	**1 087**	533
Universities	**603**	545
Total grants and subsidies	**4 168**	4 258

Grants and subsidies paid/payable to entities within the SA Government

The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:

Grant refunds:		
Entities within the SA Government	**102**	34
State Government	**1 087**	533
Total grants and subsidies paid/payable to entities within the SA Government	**1 189**	567

8. Depreciation and amortisation

Depreciation:		
Buildings and improvements	**3 437**	4 132
Computing equipment	**513**	566
Furniture and fittings	**404**	293
Moveable vehicles	**1 022**	696
Park infrastructure	**6 676**	6 315
Roads, tracks and trails	**6 787**	8 750
Plant and equipment	**721**	713
Other	**18**	54
Total depreciation	**19 578**	21 519
Amortisation:		
Application software	**311**	482
Other - war services leases	**22**	22
Total amortisation	**333**	504
Total depreciation and amortisation	**19 911**	22 023

Error correction - prior period asset recognition errors

During 2008-09 the Department determined during its normal stocktake process that a number of assets that had previously been recognised as departmental assets were in fact not owned by the Department. In addition, the Department determined that one building and six airstrips had been incorrectly valued during 2007-08.

In accordance with AASB 108, the resulting adjustments have been applied retrospectively. The effect of these adjustments on equity has been disclosed in Note 32.

The effect of the change is a reduction in the 2007-08 depreciation expense as follows:

	2008 $'000
Buildings and improvements	34
Computing equipment	-
Furniture and fittings	-
Moveable vehicles	-
Park infrastructure	579
Roads, tracks and trails	212
Plant and equipment	-
Other	-
	825

Changes in useful lives of assets

The Department altered the useful lives of various assets in accordance with normal periodic assessment procedures. In accordance with AASB 108, the resulting adjustments have been applied prospectively in the current year.

	2009 $'000
Buildings and improvements	(86)
Computing equipment	-
Furniture and fittings	-
Moveable vehicles	12
Park infrastructure	(125)
Roads, tracks and trails	(1 383)
Plant and equipment	(14)
Other	-
	(1 596)

Changes in useful lives of assets (continued)

The professional independent valuation of unique items, including buildings and park infrastructure, performed by Valcorp as at 1 July 2008, also identified assets which required estimated useful life revisions. The valuation methodology adopted by Valcorp involved the revision of acquisition dates, total useful lives and remaining useful lives. Given the valuation methodology adopted, it is impractical to quantify the impact of these revisions on depreciation expense in future years. Hence the impact of these changes has not been separately disclosed as a change in accounting estimate. The revised annual depreciation expense associated with these assets is $841 000.

9. Borrowing costs

	2009 $'000	2008 $'000
Interest on borrowings	-	22
Total borrowing costs	**-**	22

During 2007-08, the Department repaid all borrowings with the Department of Treasury and Finance.

10. Net loss from disposal of non-current assets

	2009 $'000	2008 $'000
Land:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(32)
Net loss from disposal	**-**	(32)
Buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	**(411)**	(3 532)
Net loss from disposal	**(411)**	(3 532)
Park infrastructure:		
Proceeds from disposal	-	-
Net book value of assets disposed	**(938)**	(1 310)
Net loss from disposal	**(938)**	(1 310)
Roads, tracks and trails:		
Proceeds from disposal	-	-
Net book value of assets disposed	**(26)**	(148)
Net loss from disposal	**(26)**	(148)
Moveable vehicles:		
Proceeds from disposal	**27**	208
Net book value of assets disposed	**(53)**	(138)
Net gain from disposal	**(26)**	70
Computing equipment:		
Proceeds from disposal	-	-
Net book value of assets disposed	**(48)**	(9)
Net Loss from Disposal	**(48)**	(9)
Furniture and fittings:		
Proceeds from disposal	-	-
Net book value of assets disposed	**(1 384)**	(16)
Net loss from disposal	**(1 384)**	(16)
Plant and equipment:		
Proceeds from disposal	**2**	-
Net book value of assets disposed	**(175)**	(112)
Net loss from disposal	**(173)**	(112)
Other assets:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	-
Net loss from disposal	**-**	-
Total assets:		
Proceeds from disposal	**29**	208
Net book value of assets disposed	**(3 035)**	(5 297)
Total net loss from disposal	**(3 006)**	(5 089)

Assets transferred free of charge

The figures above include the following assets transferred free of charge to other entities (2008 relates primarily to assets associated with the Amazon Waterlily Pavilion transferred to the Board of the Botanic Gardens and State Herbarium):

	2009	2008
	$'000	$'000
Buildings and improvements	**-**	3 500
Park infrastructure	**452**	731
Roads, tracks and trails	**-**	33
Furniture and fittings	**1 364**	-
Plant and equipment	**106**	15
	1 922	4 279

11. Other expenses

Bad and doubtful debts	**56**	4
Capital project costs not capitalised	**1 771**	1 725
Other	**21**	36
Total other expenses	**1 848**	1 765

Other expenses paid / payable to entities within the SA Government

The following other expenses (included in the other expenses amounts shown above) were paid/payable to entities within the SA Government

Capital project costs not capitalised	**1 771**	1 725
Total other expenses paid / payable to entities within the SA Government	**1 771**	1 725

12. Fees and charges

Admissions and guided tours	**5 472**	4 757
Fees, levies and licences	**703**	747
Property rental and related income	**3 502**	3 421
Other property related income	**323**	407
Sale of goods	**1 928**	1 885
Sale of professional services	**1 666**	1 752
Sale of support services	**6 913**	2 082
Sale of spatial information	**898**	1 750
Sale of freehold titles	**87**	229
Total fees and charges	**21 492**	17 030

The above figures incorporate $3 million in revenue invoiced to the Department of Water, Land and Biodiversity Conservation for provision of support services in relation to a feasibility study for the long-term management of the Coorong, Lower Lakes and Murray Mouth.

Fees and charges received / receivable from entities within the SA Government	**2009**	2008
	$'000	$'000
The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
Sale of support services	**1 948**	550
Sale of spatial information	**200**	439
Total fees and charges received / receivable from entities within the SA Government	**2 148**	989

13. Grants and contributions

Commonwealth Government	**1 727**	1 617
Grants received from administered entities	**1 468**	2 227
Grants received from other entities within the SA Government	**13 827**	10 988
Private industry and Local Government	**595**	518
Total grants and contributions	**17 617**	15 350

Grants and contributions received / receivable from entities within the SA Government

The following grants and contributions (included in the grants and contributions revenues shown above) were received/receivable from entities with the SA Government

Administered entities	**1 468**	2 227
Other entities within the SA Government	**13 827**	10 988
Total grants and contributions received / receivable from entities within the SA Government	**15 295**	13 215

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date total $4.244 million ($2.99 million).

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

Contributions with conditions of expenditure (continued)	**2009**	2008
	$'000	$'000
Resource conservation and management	**4 244**	2 990
Total contributions	**4 244**	2 990

Conditions attached to these contributions include the completion of program milestones, project acquittal and other project specific requirements.

14. Interest revenue

Interest on deposit accounts from entities with the SA Government	**117**	168
Interest on deposit accounts from entities external to the SA Government	**16**	20
Total interest revenue	**133**	188

15. Resources received free of charge

Land and improvements	**-**	32
Total resources received free of charge	**-**	32

16. Net gain from disposal of financial assets

Proceeds from disposal	**5**	-
Net book value of assets disposed	**(5)**	-
Net gain from disposal of financial assets	**-**	-

17. Net (loss) gain from disposal of land held for sale

Proceeds from disposal	**110**	53
Net book value of assets disposed	**(950)**	(1)
Net (loss) gain from disposal of land held for sale	**(840)**	52

The above figures result from the sale of 12 parcels of land to external vendors with the remaining land transferred to Crown lands. The net book value of assets transferred to Crown lands was $937 000 and the proceeds from disposal were $nil.

18. Other income

	2009	2008
	$'000	$'000
Insurance recoveries	**430**	5 020
Salaries and wages recoveries	**865**	383
Sponsorships, donations, commissions and bequests	**30**	32
Other sundry revenue	**266**	267
Total other income	**1 591**	5 702

Insurance recoveries consist of monies received as a result of claims lodged with SAICORP. Several significant claims were lodged and subsequently settled during 2007-08. Insurance claims are recognised as income when a claim has been lodged with SAICORP.

	2009	2008
Other income received/receivable from entities within the SA Government	**$'000**	$'000
The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:		
Insurance recoveries	**430**	5 020
Salaries and wages recoveries	**163**	-
Total other income received/receivable from entities within the SA Government	**593**	5 020

19. Revenues from (payments to) SA Government

Revenues from SA Government:		
Consolidated appropriation	**132 009**	129 445
Contingency funds	**250**	60
Total SA Government revenues	**132 259**	129 505
Payments to SA Government:		
Return to consolidated account	**(84)**	(18 800)
Return of surplus cash	**(6 350)**	(6 100)
Total SA Government payments	**(6 434)**	(24 900)

Total revenues from government consist of $114.364 million for operational funding and $17.895 million for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

20. Cash and cash equivalents

	2009 $'000	2008 $'000
Deposits with the Treasurer	**103 266**	100 378
Cash on hand/imprest accounts	**142**	187
Total cash and cash equivalents	**103 408**	100 565

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use and can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance of the Wildlife Conservation Fund and General Reserves Trust, at rates based on the Department of Treasury and Finance's 90 day average overnight cash interest rate and interest is paid at the end of each quarter. The weighted average effective interest rate for these deposit accounts for the reporting period was 5.00 percent (6.59 percent). Deposits with the Treasurer of the remaining accounts earn no interest.

21. Receivables

Current:	2009 $'000	2008 $'000
Receivables	**7 152**	3 671
Allowance for doubtful debts	**(119)**	(75)
	7 033	3 596
Accrued revenues	**7**	221
GST input tax recoverable	**2 443**	2 266
Workers compensation recoveries	**12**	11
Total current receivables	**9 495**	6 094

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Receivables	**4 064**	3 304
Accrued revenues	**7**	172
Total current receivables from entities within the SA Government	**4 071**	3 476

Non-Current:		
Workers compensation recoveries	**44**	36
Total non-current receivables	**44**	36

Movements in the allowance for doubtful debts (impairment loss)

Carrying amount at 1 July	**75**	119
Increase in the allowance	**57**	3
Amounts written off	**(13)**	(47)
Carrying amount at 30 June	**119**	75

Interest rate and credit risk

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

22. Inventories

Inventories held for distribution at no nominal amount:	2009 $'000	2008 $'000
Inventories held for distribution - at cost	**411**	420
Other inventories - at cost	**20**	120
Total inventories held for distribution at no or nominal amount	**431**	540

Inventories:		
Finished goods held for resale - at cost	**710**	836
Total held for resale at cost	**710**	836
Total inventories	**1 141**	1 376

23. Other assets

Current:		
Prepayments	**434**	412
Other	**2**	9
Total current other assets	**436**	421

24. Non-current assets held for sale

Land held for sale	**-**	950
Total non-current assets held for sale	**-**	950

24. Non-current assets held for sale (continued)

In 2007-08, the Department held 104 parcels of land that had been identified as surplus to requirements and therefore available for sale. A comprehensive review was completed in 2008-09, in order to identify the appropriate action for these parcels of land. This review resulted in the sale of 12 parcels of land, the proceeds of which are reflected in Note 17. There is no longer any intention to sell the remaining parcels of land, which were recorded as Crown lands prior to being classified as held for sale. Hence the remaining parcels have been transferred back to Crown lands. South Australian Crown lands are administered by the Department and are reflected in the Statement of Administered Financial Position.

25. Financial assets

	2009	2008
Non-current:	**$'000**	$'000
Equity in listed entities	**3**	7
Equity in unlisted entities	**-**	1
Total non-current financial assets	**3**	8

26. Property, plant and equipment

	2009	2008
Land:		
Independent valuation[(iii)]	**170 966**	158 827
At cost[(ii)]	**4 084**	651
Total land	**175 050**	159 478
Buildings and improvements:		
Independent valuation[(iii)]	**131 726**	120 700
At cost[(ii)]	**2 135**	2 207
Accumulated depreciation	**(82 625)**	(69 504)
Total buildings and improvements	**51 236**	53 403
Park infrastructure:		
Independent valuation[(iii)]	**165 113**	130 866
At cost[(ii)]	**5 837**	4 795
Accumulated depreciation	**(133 919)**	(96 983)
Total park infrastructure	**37 031**	38 678
Roads, tracks and trails:		
Independent valuation[(iii)]	**182 613**	140 132
At cost[(ii)]	**2 483**	1 907
Accumulated depreciation	**(161 368)**	(120 835)
Total roads, tracks and trails	**23 728**	21 204
Capital works in progress	**10 186**	8 111
Total capital works in progress	**10 186**	8 111
Moveable vehicles:		
Independent valuation[(iii)]	**8 218**	6 359
At cost (deemed fair value)[(i)]	**1 952**	2 489
Accumulated depreciation	**(6 431)**	(4 857)
Total moveable vehicles	**3 739**	3 991
Computing equipment:		
At cost (deemed fair value)[(i)]	**4 347**	4 572
Accumulated depreciation	**(3 455)**	(3 846)
Total computing equipment	**892**	726
Furniture and fittings:		
Independent valuation[(iii)]	**71**	71
At cost (deemed fair value)[(i)]	**5 752**	5 353
Accumulated depreciation	**(2 673)**	(2 303)
Total furniture and fittings	**3 150**	3 121
Plant and equipment:		
Independent valuation[(iii)]	**2 650**	2 018
At cost (deemed fair value)[(i)]	**3 976**	3 530
Accumulated depreciation	**(4 061)**	(3 496)
Total plant and equipment	**2 565**	2 052
Other:		
Independent valuation[(iii)]	**1 578**	1 359
At cost (deemed fair value)[(i)]	**187**	3 323
Accumulated depreciation	**(201)**	(227)
Total other	**1 564**	4 455
Total property, plant and equipment	**309 141**	295 219

Carrying amounts of plant and equipment

Classes of property, plant and equipment are valued as follows:

(i) At cost (deemed fair value): All assets in this class have an acquisition cost below $1 million and are deemed held at fair value pursuant to APF III.

(ii) At cost (acquisition cost): This class includes one or more items that have an acquisition cost exceeding $1 million. All assets within this class are temporarily held at cost pending revaluation that occurs no later than three years from acquisition date.

(iii) Independent valuation: Generic assets are valued using the data dictionary model. Unique assets are items which can not be categorised within the standard data dictionary groups. These assets are valued separately by independent professional valuers. Refer to Note 2(q) for further details.

Movement reconciliation of property, plant and equipment

A reconciliation of the carrying amount of each class of property, plant and equipment is displayed in the table below.

2009	**Land $'000**	**Buildings $'000**	**Park infra-structure $'000**	**Roads, tracks and trails $'000**	**Moveable vehicles $'000**	**Computing equipment $'000**
Carrying amount at 1 July	**159 478**	**53 403**	**38 678**	**21 204**	**3 991**	**726**
Transfers between classes	**2 325**	**(64)**	**(198)**	**(47)**	**12**	**-**
Additions	**1 460**	**-**	**13**	**-**	**560**	**727**
Transfers to (from) capital WIP	**-**	**382**	**3 136**	**1 242**	**-**	**-**
Transfers to intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**-**	**(3 437)**	**(6 676)**	**(6 787)**	**(1 022)**	**(513)**
Net revaluation increment (decrement)	**11 614**	**(165)**	**1 511**	**3 083**	**82**	**-**
Asset - first time recognition	**173**	**1 179**	**1 371**	**4 476**	**169**	**-**
Disposals	**-**	**(411)**	**(938)**	**(26)**	**(53)**	**(48)**
ARAMIS revisions upwards (downwards)	**-**	**349**	**134**	**583**	**-**	**-**
Capital WIP - expensed in current period	**-**	**-**	**-**	**-**	**-**	**-**
Net revaluation decrement expensed	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 30 June	**175 050**	**51 236**	**37 031**	**23 728**	**3 739**	**892**

	Furniture & fittings $'000	**Plant and equipment $'000**	**Other $'000**	**Capital works in progress $'000**	**2009 Total $'000**
Carrying amount at 1 July	**3 121**	**2 052**	**4 455**	**8 111**	**295 219**
Transfers between classes	**-**	**790**	**(2 869)**	**51**	**-**
Additions	**-**	**605**	**-**	**11 771**	**15 136**
Additions - transfers to (from) capital WIP	**1 816**	**85**	**-**	**(6 661)**	**-**
Transfers to intangible assets	**-**	**-**	**-**	**(1 315)**	**(1 315)**
Depreciation expense	**(404)**	**(721)**	**(18)**	**-**	**(19 578)**
Net revaluation increment (decrement)	**-**	**-**	**(4)**	**-**	**16 121**
Asset - first time recognition	**-**	**6**	**-**	**-**	**7 374**
Disposals	**(1 384)**	**(175)**	**-**	**-**	**(3 035)**
ARAMIS revisions upwards (downwards)	**1**	**(56)**	**-**	**-**	**1 011**
Capital WIP - expensed in current period	**-**	**-**	**-**	**(1 771)**	**(1 771)**
Net revaluation decrement expensed	**-**	**(21)**	**-**	**-**	**(21)**
Carrying amount at 30 June	**3 150**	**2 565**	**1 564**	**10 186**	**309 141**

2008	Land $'000	Buildings and improvmts $'000	Park infra-structure $'000	Roads, tracks and trails $'000	Moveable vehicles $'000	Computing equipment $'000
Carrying amount at 1 July	158 352	50 189	43 866	28 349	3 166	973
Transfers between classes	-	-	(46)	-	-	-
Additions	328	-	6	-	300	328
Additions - transfers to (from) capital WIP	-	4 421	3 467	916	800	-
Depreciation expense	-	(4 132)	(6 315)	(8 750)	(696)	(566)
Net revaluation increment (decrement)	596	6 047	(2 051)	(194)	381	-
Assets received for nil consideration	32	-	-	-	-	-
Asset - first time recognition	202	310	851	938	178	-
Disposals	(32)	(3 532)	(1 310)	(148)	(138)	(9)
ARAMIS revisions upwards (downwards)	-	129	223	94	-	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Other adjustments	-	(29)	(13)	(1)	-	-
Carrying amount at 30 June	159 478	53 403	38 678	21 204	3 991	726

Movement reconciliation of property, plant and equipment (continued)

2008	Furniture and fittings $'000	Plant and equipment $'000	Other $'000	Capital works in progress $'000	2008 Total $'000
Carrying amount at 1 July	2 207	1 975	2 361	9 931	301 369
Transfers between classes	-	46	-	-	-
Additions	-	522	2 013	10 790	14 287
Additions - transfers to (from) capital WIP	1 223	58	-	(10 885)	-
Depreciation expense	(293)	(713)	(54)	-	(21 519)
Net revaluation increment (decrement)	-	(93)	135	-	4 821
Assets received for nil consideration	-	-	-	-	32
Asset - first time recognition	-	380	-	-	2 859
Disposals	(16)	(112)	-	-	(5 297)
ARAMIS revisions upwards (downwards)	-	-	-	-	446
Capital WIP - expensed in current period	-	-	-	(1 725)	(1 725)
Other adjustments	-	(11)	-	-	(54)
Carrying amount at 30 June	3 121	2 052	4 455	8 111	295 219

27. Intangible assets

	2009	2008
Computer software:	**$'000**	$'000
Internally developed computer software - at cost (deemed fair value)	**7 725**	6 410
Accumulated amortisation	**(5 903)**	(5 592)
Total computer software	**1 822**	818
Other:		
Revenue stream (war services freehold leases) - at cost (deemed fair value)	**1 000**	1 000
Accumulated amortisation	**(75)**	(53)
Total other	**925**	947
Total intangible assets	**2 747**	1 765

Computer software

Internally developed computer software relates primarily to the Department's Crown Lands System.

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by the Department was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangibles movement reconciliation

2008-09 reconciliation:	**Revenue stream $'000**	**Computer software $'000**	**Total $'000**
Carrying amount at 1 July	**947**	**818**	**1 765**
Additions - transfers from capital work in progress	**-**	**1 315**	**1 315**
Depreciation expense	**(22)**	**(311)**	**(333)**
Carrying amount at 30 June	**925**	**1 822**	**2 747**
2007-08 reconciliation:			
Carrying amount at 1 July	969	1 300	2 269
Depreciation expense	(22)	(482)	(504)
Carrying amount at 30 June	947	818	1 765

28. Payables

	2009	2008
Current:	**$'000**	$'000
Accruals	**645**	1 048
Creditors	**17 758**	12 524
Employee benefit on-costs	**1 878**	1 405
Total current payables	**20 281**	14 977

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Accruals	**260**	300
Creditors	**3 606**	2 002
Employee benefit on-costs	**1 878**	1 405
Total current payables to entities within the SA Government	**5 744**	3 707
Non-current payables:		
Employee benefit on-costs	**1 792**	1 452
Total non-current payables	**1 792**	1 452

Non-current payables to entities within the SA Government	**2009**	2008
The following payables (included in the payables shown above) were payable to entities within the SA Government:	**$'000**	$'000
Employee benefit on-costs	**1 792**	1 452
Total non-current payables to entities within the SA Government	**1 792**	1 452

Employment on-costs

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed to 45 percent (35 percent). The net financial effect of the changes in the current financial year is a decrease in the employment oncost of $256 000 and employee benefits expense of $256 000.

Interest rate and credit risk

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

29. Employee benefits

	2009	2008
Current:	**$'000**	$'000
Accrued salaries and wages	**2 082**	1 514
Annual leave	**5 319**	4 981
Long service leave	**1 608**	1 106
Total current employee benefits	**9 009**	7 601
Non-current:		
Long service leave	**15 037**	14 421
Total non-current employee benefits	**15 037**	14 421

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability was 6.5 years (6.5 years). In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from 4.5 percent in 2008 to 4 percent in 2009. The net effect of the change in the current financial year is a decrease in the annual leave liability of $27 000 and employee benefits expense of $33 000.

30. Provisions

	2009	2008
Current:	**$'000**	$'000
Provision for workers compensation	**345**	421
Total current provisions	**345**	421
Non-current:		
Provision for workers compensation	**1 017**	1 088
Total non-current provisions	**1 017**	1 088
Provision movement:		
Carrying amount at 1 July	**1 509**	1 304
Unwinding of discount and effect of change in the discount rate	**(147)**	205
Carrying amount at 30 June	**1 362**	1 509

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

31. Other liabilities

	2009	2008
Current:	**$'000**	$'000
Lease incentive	**328**	328
Unearned revenue	**139**	117
Other	**170**	134
Total current other liabilities	**637**	579

Current other liabilities payable to entities within the SA Government

The following current other liabilities (included in current other liabilities shown above) were payable to entities within the SA Government:		
Unearned revenue	**-**	83
Total current other liabilities payable to entities within the SA Government	**-**	83
Non-current:		
Lease incentive	**1 568**	1 896
Unearned revenue	**65**	93
Total non-current other liabilities	**1 633**	1 989

		2009	2008
31.	**Other liabilities (continued)**		
	Non-current other liabilities payable to entities within the SA Government:	**$'000**	$'000
	The following non-current other liabilities (included in non-current other liabilities shown above) were payable to entities within the SA Government:		
	Unearned revenue	**65**	93
	Total non-current other liabilities payable to entities within the SA Government:	**65**	93

32. Equity

Equity represents the residual interest in the net assets of the Department. The State Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

2009	**Asset Revaluation Reserve $'000**	**Retained Earnings $'000**	**Total $'000**
Balance at 1 July 2008	**169 730**	**194 176**	**363 906**
Adjustments - first time recognition of assets:(i)			
Land	**-**	**173**	**173**
Buildings and improvements	**-**	**1 179**	**1 179**
Park infrastructure	**-**	**1 371**	**1 371**
Roads, tracks and trails	**-**	**4 476**	**4 476**
Moveable vehicles	**-**	**169**	**169**
Plant and equipment	**-**	**6**	**6**
Subtotal: first time recognition of asset errors	**-**	**7 374**	**7 374**
Asset adjustments - ARAMIS revisions(ii)	**-**	**1 011**	**1 011**
Net result for the 2008-09 year	**-**	**(11 748)**	**(11 748)**
Net increment (decrement) related to revaluations(iii):			
Land	**11 614**	**-**	**11 614**
Buildings and improvements	**(165)**	**-**	**(165)**
Park infrastructure	**1 511**	**-**	**1 511**
Roads, tracks and trails	**3 083**	**-**	**3 083**
Moveable vehicles	**82**	**-**	**82**
Other	**(4)**	**-**	**(4)**
Subtotal: net increment (decrement) related to revaluations	**16 121**	**-**	**16 121**
Balance at 30 June 2009	**185 851**	**190 813**	**376 664**

(i) *First-time recognition of assets*

Physical inspections of fixed assets during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in the current year.

(ii) *ARAMIS revisions*

ARAMIS revisions occur as a result of infrastructure stocktakes and park re-surveys resulting in an asset's description, grade/composition, condition or size/quantity being altered on the Data Dictionary System to correctly reflect the asset's current attributes.

(iii) *Revaluation of assets - professional valuation process undertaken*

During the year the Department revalued items of property, plant and equipment due for revaluation in accordance with its three year revaluation cycle. In addition, management applied its discretion in revaluing certain items early to provide more accurate information. Valuations used have been obtained from the Department's Data Dictionary System and also from Valcorp, Certified Practising Valuers. Professional valuations have been arrived at via reference to arms length or market transactions for similar items of property, plant and equipment and take into account any zoning or other restrictions on use.

2008	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2007	165 661	218 732	384 393
Adjustments - Error corrections (previously recognised)			
Asset adjustments - ARAMIS revisions:(i)			
Buildings	-	129	129
Infrastructure	-	223	223
Roads	-	94	94
Depreciation errors	-	446	446

32. Equity (continued)

2008	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Asset adjustments - First-time recognition of asset errors:(ii)			
Land	-	202	202
Buildings and improvements	-	310	310
Park infrastructure	-	851	851
Roads, tracks and trails	-	938	938
Moveable vehicles		178	178
Plant and equipment	-	380	380
First time recognition of assets errors	-	2 859	2 859
Error corrections (previously recognised)	-	3 305	3 305
Adjusted balance 1 July 2007	165 661	222 037	387 698
Adjustments - error corrections (this reporting period)			
Asset adjustments - prior period asset errors:			
Buildings and improvements(iii)	(752)	-	(752)
Buildings and improvements(iv)	-	(214)	(214)
Park infrastructure(v)	-	(2 830)	(2 830)
Park infrastructure(iv)	-	(173)	(173)
Roads, tracks and trails(iv)	-	(1 462)	(1 462)
Asset adjustments - prior period asset errors	(752)	(4 679)	(5 431)
Other error corrections:(vi)			
SAICORP receivable raised in error	-	(229)	(229)
Other error corrections	-	(229)	(229)
Error corrections (this reporting period)	(752)	(4 908)	(5 660)
Restated balance 1 July 2007	164 909	217 129	382 038
Net result for the 2008-09 year:			
Deficit per prior year financial statements	-	(23 760)	(23 760)
Wildlife Conservation Fund inventory adjustment(vii)	-	(18)	(18)
Depreciation reduction - prior period asset corrections (iii)(iv)(v)	-	825	825
Net result for the year per financial statements	-	(22 953)	(22 953)
Net increment (decrement) related to the revaluations:			
Land	596	-	596
Buildings and improvements	6 047	-	6 047
Park infrastructure	(2 051)	-	(2 051)
Roads, tracks and trails	(194)	-	(194)
Moveable vehicles	381	-	381
Plant and equipment	(93)	-	(93)
Other	135	-	135
Net increment (decrement) related to revaluations	4 821	-	4 821
Balance at 30 June 2008	169 730	194 176	363 906

(i) *ARAMIS revisions*
ARAMIS revisions occur as a result of infrastructure stocktakes and park re-surveys resulting in an asset's description, grade/composition, condition or size/quantity being altered on the Data Dictionary System to correctly reflect the asset's current attributes.

(ii) *First-time recognition of assets*
Physical inspections of fixed assets during the year identified a number of pre-existing assets that were not recognised, in error, in prior reporting periods. These assets have been recognised for the first time in the current year

(iii) *Asset adjustments - prior period asset error - Cleland administration building*
During the financial year the Department determined that a building had been incorrectly double counted. This resulted in an over-valuation of buildings of $752 000.

(iv) *Asset adjustments - prior period asset errors*
During the year the Department determined that certain assets did not belong to the Department. This resulted in an over-valuation of $1.849 million in the classes of buildings and improvements, park infrastructure, and roads, tracks and trails.

(v) *Asset adjustments - prior period asset error - airstrips*
During the year the Department determined that airstrips had been incorrectly valued using a square metre approach rather than a linear metre approach. This resulted in an over-valuation of park infrastructure of $2.83 million.

(vi) *SAICORP receivable*
Insurance revenue from SAICORP was incorrectly raised as a receivable in a prior period.

(vii) *Inventory adjustment*
During the financial year, the Department determined that a small amount of inventory held within the Wildlife Conservation Fund had been incorrectly valued. This resulted in an over-valuation of $18 000.

33. Cash flow reconciliation

	2009	2008
Reconciliation of cash and cash equivalents:	$'000	$'000
Cash and cash equivalents at 30 June as per:		
Statement of Financial Position	**103 408**	100 565
Statement of Cash Flows	**103 408**	100 565

Reconciliation of net cash provided by operating activities to net cost of providing services:

	2009	2008
Net cash provided by operating activities	**17 893**	5 389
Add (Less):		
Cash flows from Government	**(132 259)**	(129 505)
Cash flows to Government	**6 434**	24 900
Add (Less): Non-cash items:		
Depreciation and amortisation	**(19 911)**	(22 023)
Assets received free of charge	**-**	32
Assets written-off	**(1 792)**	(1 779)
Net loss from disposal of non-current assets	**(3 006)**	(5 089)
Net (loss) gain from disposal of non-current assets held-for-sale	**(840)**	52
Movement in assets and liabilities:		
Increase (Decrease) in receivables	**3 409**	(92)
Decrease in inventories	**(235)**	(16)
Increase (Decrease) in other assets	**15**	(216)
(Increase) Decrease in payables	**(5 702)**	1 985
Increase in employee benefits	**(2 024)**	(1 335)
Decrease (Increase) in provisions	**147**	(205)
Decrease (Increase) in other liabilities	**298**	344
Net cost of providing services	**(137 573)**	(127 558)

34. Expenditure commitments

Operating lease commitments

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2009	2008
	$'000	$'000
Not later than one year	**4 466**	3 799
Later than one year but not later than five years	**14 769**	11 902
Later than five years	**2 350**	3 499
Total operating lease commitments	**21 585**	19 200

During the 2005-06 financial year, the department received lease incentives for two leased properties amounting to $3.28 million. These lease incentives are being amortised at a rate of $328 000 per annum until 2015.

The operating leases held by the Department are related to property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Department has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments

The total value of capital commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

	2009	2008
	$'000	$'000
Not later than one year	**585**	436
Total capital commitments	**585**	436

The Department's capital commitments include amounts associated with capital infrastructure projects incomplete at the reporting date.

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:

Remuneration commitments (continued)

	2009 $'000	2008 $'000
Within one year	**3 183**	3 088
Later than one year but not later than five years	**7 383**	10 008
Total remuneration commitments	**10 566**	13 096

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

35. Contingent liabilities

Wilpena Tourist Centre

The Minister (on behalf of the Department) extended during the 2000-01 financial year a guarantee to a maximum value of $1.25 million to ANZ Bank on behalf of Flinders Tourist Services Pty Ltd, in respect of the Wilpena Tourist Centre redevelopment/lease arrangement. The maximum exposure in relation to the guarantee as at 30 June 2009 is $nil ($325 000) as the loan has been fully extinguished during the year.

36. Transferred functions

In September 2006, the South Australian Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007, State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the Department of Treasury and Finance.

The business services of South Australian Government agencies are transferring to Shared Services SA in a series of transition programs known as Tranches. In most cases, these services transition in the current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

The next Tranche of services to transition was approved by Cabinet on 8 December 2008 and comprised of certain financial services, ICT services and support, contract services and purchase card administration.

As part of this reform, the Department's payroll function transitioned to Shared Services SA on 4 August 2008.

Accounts payable services transitioned to Shared Services SA on 20 October 2008.

General accounting, external reporting, cash management, fixed assets, financial systems support, tax compliance and purchase card services transitioned to Shared Services SA on 9 June 2009.

20 employees from the Department's Business Services Directorate, budget funding of $101 000 and the following assets and liabilities were transferred to Shared Services SA.

	Tranche 1		**Tranche 2**
	Group 1 August 2008 $'000	**Group 2 October 2008 $'000**	**Group 1 June 2009 $'000**
Cash	**110**	**57**	**235**
Total assets	**110**	**57**	**235**
Employee benefits	**(110)**	**(57)**	**(235)**
Total liabilities	**(110)**	**(57)**	**(235)**
Total net assets transferred	**-**	**-**	**-**

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

37. Remuneration of Board and Committee members

Members that were entitled to receive remuneration for membership during the 2008-09 financial year were:

South Australian National Parks and Wildlife Council

James J A
Lewis M M
Ogle G R
Flemming A I (appointed 9 April 2009) *
Nicholls M F
Russel V J
Jackson R
Yates, K *

South Australian Heritage Council

Brine J M C
Garnaut C M
Donaldson R T
O'Connell M B
Owens L W
Marsland M P (resigned 23 November 2008)
Staniforth M
Wigg C A

37. Remuneration of Board and Committee members (continued)

South Australian Heritage Council Register Committee

Bell P G
Burke H D (appointed 3 April 2009)
Brine J M (appointed 3 April 2009)
Donovan P F (resigned 20 May 2009)
Klenke A T (appointed 3 April 2009)
Leydon G J
Marsden S E
McDougall K
Queale M W
Wigg C A
Taylor RJ (resigned 28 February 2009)
Savva M (appointed 3 April 2009) *

Witjira National Park Board of Management

Ah Chee A
Ah Chee M
Naylon-Fuschtei V
Tjami H

Vulkathunha-Gammon Ranges National Park Cooperative Management Committee

Coulthard C
Coulthard J
Coulthard P (nee McKenzie P)
Coulthard R
Anderson M (deputy)
Tree S (deputy)

Animal Welfare Advisory Committee

Allery L
Hazel S J *
Kidman S
Noonan D E *
Peters M D
Robb G
Starick W J

ALB Steering Group

Foreman G
Roberts I
Iasiello W

Adelaide Dolphin Sanctuary Advisory Board

Andrews D (appointed 29 January 2009)
Bossley M
Daly J D (resigned 24 November 2008)
Crocker L (resigned 24 November 2008)
Cugley J A (appointed 1 July 2008)
Ditter S (appointed 29 January 2009)
Gibbs S
Harbison I (resigned 28 November 2008)
Higgins-Desbiolles (appointed 29 January 2009)
Holt P
Kavina C
Wilson D (resigned 24 November 2008)
Watts T

Kangaroo Management Reference Group

Ackland T M
Barrington D P
Johnson D (deputy)
Lindner D
Johns G R *
McBride M (deputy)
Pfitzner D B
Cooley G *
Mould J *
Vickery F *

Ngaut Ngaut Conservation Park Co-Management Committee

Campbell I M
Campbell I L
Hutchinson C

Coorong and Lower Lakes RAMSAR Taskforce

Ball V M
Beckett M *
Geddes M
Jones G E
Owen R
Scobie K L

Wilderness Advisory Committee

Barker S
Bills C
Lesslie R
Whalen M

Wildlife Ethics Committee

McGrath K R
Peters M D
Boardman W *
Manning B (appointed 30 October 2008) *
West C *
Pullen F M
Taylor L U
Johnson L *
Schultz D (appointed 30 October 2008) *

Marine Parks Council of SA

Agius P (resigned 22 January 2009)
Coleman P S
Grady M
Lindsay H
Cheshire A *
Owen P
Pyke C
Stehr H
Watts T

* Denotes nil remuneration.

37. Remuneration of Board and Committee members (continued)

The number of members whose remuneration received or receivable falls within the following bands:	**2009 Number**	2008 Number
$0	**16**	9
$1 - $9 999	**86**	74
Total number of members	**102**	83

Board members are not solely members of one Department for Environment and Heritage Board per se, but are members of a number of Statutory Boards associated with the Department.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was $52 000 ($61 000).

During the 2008-09 financial year, members of the Board were paid superannuation of $1000 ($1000).

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

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

38. Events subsequent to reporting date

There are no known events after balance date that affect this general purpose financial report in a material manner.

39. 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.

		2009		2008	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	20	**103 408**	**103 408**	100 565	100 565
Receivables	21	**9 539**	**9 539**	6 130	6 130
Financial assets	25	**3**	**3**	8	8
Financial liabilities					
Payables	28	**22 073**	**22 073**	16 429	16 429

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 21 for information on the allowance for impairment in relation to receivables

Ageing analysis of financial assets

The following table discloses the ageing of financial assets and the ageing of impaired assets.

		Past Due By			
	Current	**Overdue for less than 30 Days**	**Overdue for 30-60 Days**	**Overdue for more than 60 Days**	**Total**
2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Not impaired:					
Receivables	**5 870**	**3 381**	**158**	**11**	**9 420**
Financial assets	**3**	**-**	**-**	**-**	**3**
Impaired:					
Receivables	**-**	**-**	**-**	**119**	**119**

Ageing analysis of financial assets (continued)

		Past Due By			
	Current	Overdue for less than 30 Days	Overdue for 30-60 Days	Overdue for more than 60 Days	Total
2008	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	5 606	236	125	88	6 055
Financial assets	8	-	-	-	8
Impaired:					
Receivables	-	-	-	75	75

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

		Contractual Maturity	
	Carrying Amount	**Less than 1 Year**	**1-5 Years**
2009	**$'000**	**$'000**	**$'000**
Financial assets:			
Cash and cash equivalents	**103 408**	**103 408**	**-**
Receivables	**9 539**	**9 495**	**44**
Financial assets	**3**	**-**	**3**
Total financial assets	**112 950**	**112 903**	**47**
Financial liabilities:			
Payables	**22 073**	**20 281**	**1 792**
Total financial liabilities	**22 073**	**20 281**	**1 792**
2008			
Financial assets:			
Cash and cash equivalent	100 565	100 565	-
Receivables	6 130	6 094	36
Financial assets	8	-	8
Total financial assets	106 703	106 659	44
Financial liabilities:			
Payables	16 429	14 977	1 452
Total financial liabilities	16 429	14 977	1 452

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. 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 flows. The Department 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 Department's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

40. South Australian Heritage Fund

The South Australian Heritage Fund (formerly the State Heritage Fund) was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within the Department's financial statements. When incorporating these amounts into the Department's financial statements all transactions between the Fund and the Department have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2009

	2009	2008
Expenses:	**$'000**	$'000
Grants and subsidies	**141**	214
Total expenses	**141**	214
Income:		
Other income	**-**	23
Total expenses	**-**	23
Net cost of providing services	**141**	191
Revenues from SA Government	**250**	250
Net result	**109**	59

Statement of Financial Position as at 30 June 2009

	2009	2008
Current assets:	**$'000**	$'000
Cash	**356**	218
Receivables	**-**	35
Total assets	**356**	253
Current liabilities:		
Payables	**29**	35
Total liabilities	**29**	35
Net assets	**327**	218
Equity:		
Retained earnings	**327**	218
Total equity	**327**	218

Statement of Changes in Equity for the year ended 30 June 2009

	Retained Earnings $'000	Total $'000
Balance at 1 July 2007	159	159
Net result for 2007-08	59	59
Balance at 30 June 2008	218	218
Net result for 2008-09	109	109
Balance at 30 June 2009	**327**	**327**

Statement of Cash Flows for the year ended 30 June 2009

	2009 Inflows (Outflows)	2008 Inflows (Outflows)
Cash flows from operating activities:		
Cash outflows:	**$'000**	$'000
Grants and subsidies	**(112)**	(195)
Cash used in operations	**(112)**	(195)
Cash inflows:		
Other revenues	**-**	23
Cash generated from operations	**-**	23
Cash generated from SA Government	**250**	250
Net cash provided by operating activities	**138**	78
CASH AT 1 JULY	**218**	140
CASH AT 30 JUNE	**356**	218

Statement of Administered Comprehensive Income for the year ended 30 June 2009

	2009	2008
	$'000	$'000
EXPENSES:		
Employee benefits	**319**	317
Supplies and services	**1 089**	1 634
Grants and subsidies	**5 874**	25 620
Depreciation and amortisation	**2 268**	2 782
Other expenses	**127**	5
Total expenses	**9 677**	30 358
INCOME:		
Fees and charges	**955**	923
Grants and contributions	**138**	97
Interest revenue	**113**	175
Resources received free of charge	**2 862**	4 279
Net gain from disposal of non-current assets	**8 372**	9 726
Other income	**1 393**	1 422
Total income	**13 833**	16 622
NET SURPLUS (COST) OF PROVIDING SERVICES	**4 156**	(13 736)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:		
Revenues from SA Government	**4 646**	23 517
Payments to SA Government	**(10 984)**	(12 964)
Total (payments to) revenues from SA Government	**(6 338)**	10 553
NET RESULT	**(2 182)**	(3 183)
OTHER COMPREHENSIVE INCOME		
Changes in property, plant and equipment asset revaluation reserve	**3 962**	5 724
Total other comprehensive income	**3 962**	5 724
TOTAL COMPREHENSIVE RESULT	**1 780**	2 541

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Administered Financial Position as at 30 June 2009

	2009	2008
	$'000	$'000
CURRENT ASSETS:		
Cash and cash equivalents	**4 963**	7 854
Receivables	**510**	347
Inventories	**154**	149
Total current assets	**5 627**	8 350
NON-CURRENT ASSETS:		
Receivables	**32**	106
Property, plant and equipment	**80 804**	77 203
Total non-current assets	**80 836**	77 309
Total assets	**86 463**	85 659
CURRENT LIABILITIES:		
Payables	**102**	277
Other current liabilities	**796**	1 385
Total current liabilities	**898**	1 662
NON-CURRENT LIABILITIES:		
Payables	**70**	105
Total non-current liabilities	**70**	105
Total liabilities	**968**	1 767
NET ASSETS	**85 495**	83 892
EQUITY:		
Asset revaluation reserve	**46 905**	42 943
Retained earnings	**38 590**	40 949
TOTAL EQUITY	**85 495**	83 892

Total equity is attributable to the SA Government as owner

Statement of Administered Changes in Equity for the year ended 30 June 2009

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2007	37 219	44 116	81 335
First-time recognition of assets	-	12	12
Error corrections this reporting period:			
Asset adjustments this reporting period	-	(2)	(2)
Other	-	6	6
Restated balance at 1 July 2007	37 219	44 132	81 351
Net result for 2007-08	-	(3 183)	(3 183)
Net increment (decrement) related to revaluations	5 724	-	5 724
Total comprehensive result for 2007-08	5 724	(3 183)	2 541
Balance at 30 June 2008	42 943	40 949	83 892
Net result for 2007-08	-	(2 182)	(2 182)
Net increment related to revaluations	3 962	-	3 962
Total comprehensive result for 2008-09	3 962	(2 182)	1 780
Asset adjustments - first-time recognition of assets	-	10	10
Asset adjustments - ARAMIS revisions)	-	(187)	(187)
Total asset adjustments for 2008-09	-	(177)	(177)
Balance at 30 June 2009	**46 905**	**38 590**	**85 495**

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

Statement of Administered Cash Flows for the year ended 30 June 2009

	2009 Inflows (Outflows) $'000	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee benefits payments	**(321)**	(332)
Supplies and services	**(1 886)**	(2 098)
Grants and subsidies payments	**(5 874)**	(25 620)
Other payments	**2**	(4)
Cash used in operations	**(8 079)**	(28 054)
CASH INFLOWS:		
Fees and charges	**857**	457
Grants and contribution receipts	**138**	97
Interest received	**122**	171
Other receipts	**1 393**	1 422
Cash generated from operations	**2 510**	2 147
CASH FLOWS FROM (TO) SA GOVERNMENT:		
Receipts from SA Government	**4 646**	23 517
Payments to SA Government	**(10 984)**	(12 964)
Net cash flows (to) from SA Government	**(6 338)**	10 553
Net cash used in operating activities	**(11 907)**	(15 354)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(69)**	(23)
Proceeds from sale of property, plant and equipment	**9 085**	10 880
Net cash provided by investing activities	**9 016**	10 857
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2 891)**	(4 497)
CASH AND CASH EQUIVALENTS AT 1 JULY	**7 854**	12 351
CASH AND CASH EQUIVALENTS AT 30 JUNE	**4 963**	7 854

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1. Administered items of the Department

(a) Reporting entities and strategic context

The activities of the administered items are:

Board of the Botanic Gardens and State Herbarium

The Board of the Botanic Gardens and State Herbarium ('the Board') was established under Section 6 of the *Botanic Gardens and State Herbarium Act 1978* to ensure the maintenance and development of South Australia's Botanic Gardens and State Herbarium and to provide advice on relevant policies consistent with the provisions of the Act and with the objectives of the Minister for Environment and Conservation.

The Department is related to the Board in the following manner:

- The Board's budget forms part of the Department's budget approved by the Department of Treasury and Finance
- Assets constructed through the Department's capital works program, on behalf of the Board, are transferred to the Board at nil cost
- Staff from the Department provide a number of services to the Board at nil cost.

However the Board constitutes a separate legal entity, with members appointed by the Governor of South Australia. Hence the Department cannot direct the Board to expend funds in a particular manner. As a result, the Board is not controlled by the Department and has therefore been reflected in the administered financial statements.

Crown Lands
Crown Lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus South Australian government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance's Consolidated Account.

Ministerial other payments
This includes payments approved by the Minister for Environment and Conservation, such as grant payments to Zoos SA. Grants and contributions in 2007-08 included a one-off grant of $18.9 million made to Zoos SA for a new entrance and underwater fairy penguin enclosure.

Special Acts allocation
This activity comprises salary and allowance payments for the Minister for Environment and Conservation.

(b) Administered items' financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with the Department of Treasury and Finance pursuant to the PFAA. The financial activities of administered items that do not have their own deposit account are conducted through the Department’s deposit account.

The Department conducts a large number of activities directed towards meeting the administered items' objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within the Department who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the administered financial statements.

(c) Administered items' summary of significant accounting policies

The administered financial statements detail the sum of the individual administered items' revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the schedules as the definition of an economic entity has not been satisfied. Accordingly, transactions and balances between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of the Department, as detailed in Note 2 of the Department's financial statements. Deviations from these policies are as follows:

Property, plant and equipment
The Department is custodian of unallotted Crown land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Unallotted Crown land is not included in the Statement of Administered Financial Position as the Department has not been able to formulate a suitable methodology for determining a reliable measure of the value of these holdings. In addition, limitations exist on the reliability of the base information used to determine the valuation of Crown land actually included in the Statement of Administered Financial Position.

Administered items also include the Crown’s interest in land leased to third parties under perpetual and other leases and annual licences.

Total property, plant and equipment as disclosed in the Statement of Administered Financial Position consists of assets belonging to the Botanic Gardens and State Herbarium ($57.678 million) and Crown Lands ($23.126 million).

Employee benefits
In general, administered items utilise the services of contractors or the Department's employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by the Department's employees are provided free of charge. If, however, the services provided by the Department's employees are directly attributable to the activities of an administered item and can be reliably measured the services are charged to the administered item on a fee for service (cost recovery) basis. These charges are included in the Statement of Administered Income as employee benefits. Further, the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Financial Statements as the Department is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in the Department's financial statements.

Schedule 1(A): Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2009
Schedule 1(B): Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2008

Schedule 1(A): Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2009

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	**2009 Total**
EXPENSES:	$'000	$'000	$'000	$'000	**$'000**
Employee benefits	77	-	-	242	**319**
Supplies and services	253	836	-	-	**1 089**
Grants and subsidies	1 469	3	4 402	-	**5 874**
Depreciation and amortisation	2 258	10	-	-	**2 268**
Other expenses	127	-	-	-	**127**
Total expenses	4 184	849	4 402	242	**9 677**
INCOME:					
Fees and charges	938	17	-	-	**955**
Grants and contributions	138	-	-	-	**138**
Interest revenue	113	-	-	-	**113**
Resources received free of charge	1 925	937	-	-	**2 862**
Net gain from disposal of non-current assets	(235)	8 607	-	-	**8 372**
Other income	1 393	-	-	-	**1 393**
Total income	4 272	9 561	-	-	**13 833**
NET SURPLUS (COST OF SERVICES)	88	8 712	(4 402)	(242)	**4 156**
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues from SA Government	-	-	4 402	244	**4 646**
Payments to SA Government	-	(10 984)	-	-	**(10 984)**
Total SA Government revenues and payments	-	(10 984)	4 402	244	**(6 338)**
NET RESULT	88	(2 272)	-	2	**(2 182)**
OTHER COMPREHENSIVE INCOME:					
Changes in property, plant and equipment asset revaluation reserve	2 774	1 188	-	-	**3 962**
Total other comprehensive income	88	(2 272)	-	2	**(2 182)**
TOTAL COMPREHENSIVE RESULT	2 862	(1 084)	-	2	**1 780**

Schedule 1(B): Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2008

	Botanic Gardens and State Herbarium	Crown Lands	Minister's Other Payments	Special Acts Allocation	2008 Total
EXPENSES:	$'000	$'000	$'000	$'000	$'000
Employee benefits	82	-	-	235	317
Supplies and services	247	1 383	4	-	1 634
Grants and subsidies	2 226	132	23 262	-	25 620
Depreciation and amortisation	2 772	10	-	-	2 782
Other expenses	10	(5)	-	-	5
Total expenses	5 337	1 520	23 266	235	30 358
INCOME:					
Fees and charges	822	101	-	-	923
Grants and contributions	97	-	-	-	97
Interest revenue	175	-	-	-	175
Resources received free of charge	4 279	-	-	-	4 279
Net gain from disposal of non-current assets	(8)	9 734	-	-	9 726
Other income	1 422	-	-	-	1 422
Total income	6 787	9 835	-	-	16 622
NET SURPLUS (COST OF SERVICES)	1 450	8 315	(23 266)	(235)	(13 736)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:					
Revenues	-	-	23 267	250	23 517
Payments	-	(12 964)	-	-	(12 964)
Total SA Government revenues and payments	-	(12 964)	23 267	250	10 553
NET RESULT	1 450	(4 649)	1	15	(3 183)
OTHER COMPREHENSIVE INCOME:					
Changes in property, plant and equipment asset revaluation reserve	3 794	1 930	-	-	5 724
Total other comprehensive income	3 794	1 930	-	-	5 724
TOTAL COMPREHENSIVE RESULT	5 244	(2 719)	1	15	2 541

ENVIRONMENT PROTECTION AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993* (the EP Act)
- an administrative unit also named the Environment Protection Authority established under the PSM Act
- the Environment Protection Fund as established under the EP Act.

Under the EP Act, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in giving effect to its policies and decisions under the EP Act.

The EP Act permits the statutory authority to make use of the services of the administrative unit's employees and its facilities.

Functions

The EPA statutory authority is South Australia's primary environmental regulator for the control and minimisation of pollution and waste. It is responsible for the protection and enhancement of air and water quality, and control of pollution, waste and environmental noise.

The EPA statutory authority is also responsible for the Environment Protection Fund (EPF) established under the EP Act. Note 31 outlines income and expenses of the Fund.

The EPA administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For details of the EPA's roles refer to Note 1(a) of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the EPA 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 EPA in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of audit

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

During 2008-09, areas of review included:

- revenue raising
- environmental licensing
- waste depot levies
- expenditure
- payroll.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Environment Protection Authority as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Environment Protection Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to the implementation of the revised TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Environment Protection 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 a management letter to the Chief Executive of the EPA. The EPA's response indicated that appropriate action would be taken to address the matters raised. The following outlines the notable matters that were raised with the EPA.

Implementation of the revised TIs 2 and 28

The EPA had not established a formal documented Financial Management Compliance Program as required by TI 28. The EPA had also not performed independent assessments of compliance activities to support ongoing compliance with financial management requirements.

The EPA responded that a new Audit and Risk Management Committee had been established in May 2009. The Committee will oversee the development and implementation of the EPA Financial Management Compliance Program in accordance with the requirements of TI 28. The Committee will also oversee the conduct of independent assessments of compliance activities through internal audits.

The Committee was presented with a comprehensive draft Financial Management Compliance Framework in August 2009.

Other matters

Other matters raised by Audit mainly related to improving the maintenance of divisional risk registers, review and monitoring of general ledger reconciliations and the establishment of documented policies and procedures:

- Risk management – some divisional risk registers had not been updated in accordance with EPA's Risk Management Policy.

- General ledger – checking processes had not been established to ensure all general ledger reconciliations were completed and independently reviewed on a timely basis.

- Payroll – there were no policies and procedures outlining the payroll checking processes performed by EPA officers, such as monitoring and review of bona fide reports.

The Audit and Risk Management Committee was presented with compliant divisional risk registers in August 2009.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009 $'million	2008 $'million
EXPENSES		
Employee benefits	**19.2**	19.0
Grants and subsidies	**12.4**	11.9
Other expenses	**9.3**	8.2
Total expenses	**40.9**	39.1
INCOME		
Fees and charges	**33.7**	32.7
Other revenues	**1.9**	1.4
Total operating revenue	**35.6**	34.1
Net cost of providing services	**5.3**	5.0
REVENUES FROM SA GOVERNMENT		
Revenues from SA Government	**3.9**	4.8
Net result	**(1.4)**	(0.2)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(0.4)**	0.3
ASSETS		
Current assets	**7.3**	9.6
Non-current assets	**7.7**	3.3
Total assets	**15.0**	12.9
LIABILITIES		
Current liabilities	**3.8**	3.8
Non-current liabilities	**4.3**	3.9
Total liabilities	**8.1**	7.7
EQUITY	**6.9**	5.2

Statement of Comprehensive Income

Expenses

Total expenses increased by $1.8 million (5 percent). The major items causing this change were:

- supplies and services - accommodation and property management expenses within other expenses increased by $800 000, due mainly to increased rental expenses and decommissioning costs associated with a former EPA tenancy
- grants and subsidies expenses increased by $400 000, due mainly to grants paid to the Department for Environment and Heritage and increased solar hot water rebate payments
- the net loss from the disposal of non current assets increased by $300 000, due to furniture and fittings assets being disposed of when the EPA moved to new rental premises during the year.

Income

Total income increased by $1.5 million (4 percent). The major items causing this change were:

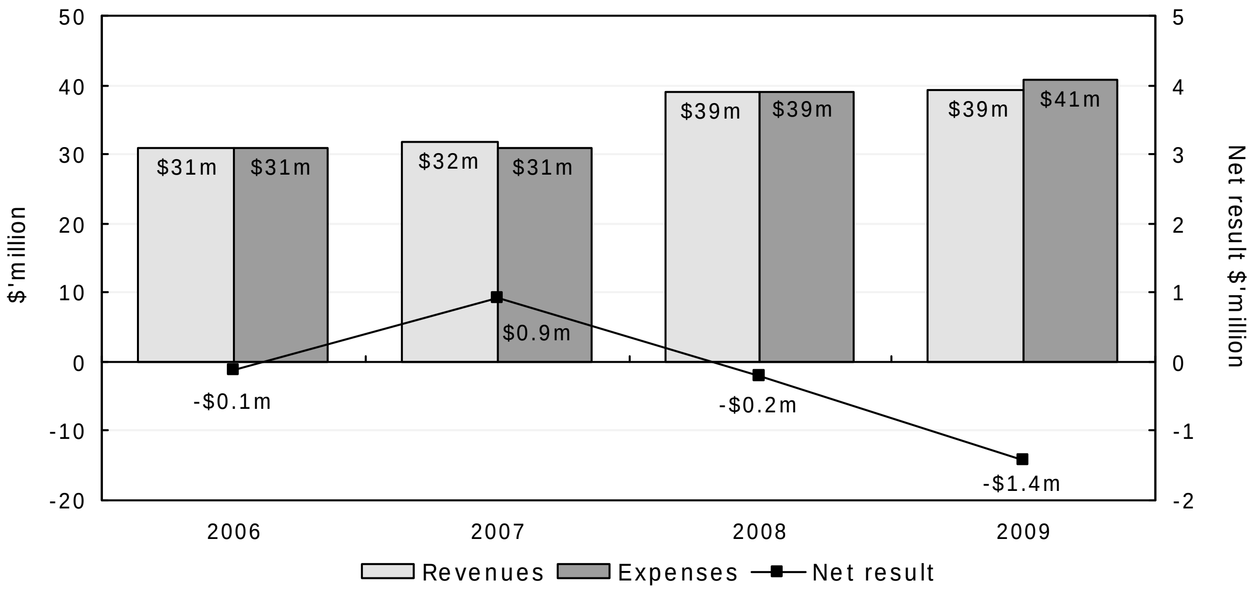
- fees, levies and licenses within fees and charges revenue increased by $1.8 million. The EPA indicated that license fees increased by $1 million due to a change in the license fee structure under the Environment Protection (Fees and Levy) Variation Regulations. In addition, license fee collections of $800 000 were deferred from 2007-08 to 2008-09, to accommodate the new license fee structure

- grants and contributions revenue increased by $500 000, due mainly to grants from the Department of Water, Land and Biodiversity Conservation and the Adelaide Coastal Waters Study.

These increases were offset by a decrease in waste levies of $1.1 million. The EPA indicated this was due to a reduction in the state's industrial production and hence waste produced, as a result of the global financial downturn.

Net result

The following chart shows the expenses, income and net result for the four years to 2009.



The net deficit result in 2009 is mainly due to the budget for waste levies revenue not being achieved. This budget shortfall was not covered by an increase in appropriation.

The EPA indicated waste levies revenue budgets were not met as result of the global economic downturn. The downturn negatively impacted industrial production in the state and subsequently reduced the level of waste produced. The decrease in waste produced had a corresponding negative impact on the amount of waste levies collected.

Statement of Financial Position

Current assets – cash

This item, $5.1 million ($7.1 million) represents 70 percent (74 percent) of total current assets and 34 percent (55 percent) of total assets. The main component of cash in 2008-09 is the Environment Protection Fund deposit account of $3.4 million (66 percent). This is further discussed below under Statement of Cash Flows.

Non-current assets – property, plant and equipment

In 2009 this item makes up 44 percent (21 percent) of total assets. Leasehold improvements is the dominant item of property, plant and equipment. Note 20 provides further details on this item and amounts.

Property, plant and equipment increased from $2.7 million to $6.6 million, due mainly to leasehold improvements associated with new rental premises in Victoria Square, Adelaide.

Non-current liabilities – other liabilities

The EPA received a $1 million lease incentive in 2008-09 to occupy new rental premises in Victoria Square, Adelaide. This item consists of the lease incentive liability, which is being amortised over the term of the lease (15 years). The portion of the lease incentive liability which is due to be amortised in 2009-10 has been classified as current.

Statement of Cash Flows

The following table summarises the net cash flows since 2006.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(0.4)**	0.3	1.9	1.5
Investing	**(4.7)**	(0.6)	(0.5)	(0.7)
Financing	**3.1**	-	-	-
Change in cash	**(2.0)**	(0.3)	1.4	0.8
Cash at 30 June	**5.1**	7.1	7.4	6.0

EPA's cash at 30 June 2009 comprises an operating deposit account ($400 000), an accrual appropriation excess funds account ($1.3 million) and the Environment Protection Fund ($3.4 million).

Cash decreased by $2 million in 2008-09. This decrease is mainly due to payments made for leasehold improvements ($4.1 million), offset partly by an equity contribution from SA Government ($3.1 million).

Cash has also decreased due to the waste levies revenue budget shortfall not being covered by increased appropriation, as detailed in 'Net result' above.

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
EXPENSES:			
Employee benefits	5	**19 191**	18 997
Supplies and services	6	**8 042**	7 307
Depreciation and amortisation	7	**849**	816
Grants and subsidies	8	**12 352**	11 910
Net loss from disposal of non-current assets	9	**328**	17
Other expenses	10	**100**	64
Total expenses		**40 862**	39 111
INCOME:			
Fees and charges	12	**33 654**	32 699
Grants and contributions	13	**1 703**	1 246
Interest revenue	14	**132**	155
Other income	15	**73**	52
Total income		**35 562**	34 152
NET COST OF PROVIDING SERVICES		**5 300**	4 959
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	16	**3 867**	4 811
Total net revenues from SA Government		**3 867**	4 811
NET RESULT		**(1 433)**	(148)
TOTAL COMPREHENSIVE RESULT		**(1 433)**	(148)

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	2009 $'000	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**5 123**	7 108
Receivables	18	**2 086**	2 372
Other current assets		**88**	80
Total current assets		**7 297**	9 560
NON-CURRENT ASSETS:			
Receivables	18	**4**	3
Financial assets	19	**-**	5
Property, plant and equipment	20	**6 587**	2 715
Intangible assets	21	**1 168**	625
Total non-current assets		**7 759**	3 348
Total assets		**15 056**	12 908
CURRENT LIABILITIES:			
Payables	22	**1 456**	1 963
Employee benefits	23	**2 261**	1 766
Provisions	24	**27**	34
Other current liabilities	25	**81**	1
Total current liabilities		**3 825**	3 764
NON-CURRENT LIABILITIES:			
Payables	22	**358**	354
Employee benefits	23	**2 954**	3 428
Provisions	24	**80**	88
Other non-current liabilities	25	**911**	-
Total non-current liabilities		**4 303**	3 870
Total liabilities		**8 128**	7 634
NET ASSETS		**6 928**	5 274
EQUITY:			
Contributed capital		**3 087**	-
Asset revaluation reserve		**1 222**	1 222
Retained earnings		**2 619**	4 052
TOTAL EQUITY		**6 928**	5 274

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	26
Contingent assets and liabilities	27

Statement of Changes in Equity for the year ended 30 June 2009

	Contributed capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2007	-	1 222	4 200	5 422
Net result for 2007-08	-	-	(148)	(148)
Total comprehensive result for 2007-08	-	-	(148)	(148)
Balance at 30 June 2008	-	1 222	4 052	5 274
Net result for 2008-09	-	-	(1 433)	(1 433)
Total comprehensive result for 2008-09	-	-	(1 433)	(1 433)
Equity contribution received	3 087	-	-	3 087
Balance at 30 June 2009	**3 087**	**1 222**	**2 619**	**6 928**

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

Statement of Cash Flows
for the year ended 30 June 2009

		2009	2008
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefit payments		**(19 198)**	(18 813)
Supplies and services		**(8 406)**	(6 625)
Grants and subsidies		**(12 352)**	(11 910)
Other payments		**(86)**	4
Cash used in operations		**(40 042)**	(37 344)
CASH INFLOWS:			
Fees and charges		**33 924**	31 418
Grant and contribution receipts		**1 703**	1 246
Interest received		**139**	140
Other receipts		**67**	52
Cash generated from operations		**35 833**	32 856
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government:		**3 867**	4 811
Cash generated from SA Government		**3 867**	4 811
Net cash (used in) provided by operating activities	29	**(342)**	323
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(4 736)**	(644)
Cash used in investing activities		**(4 736)**	(644)
CASH INFLOWS:			
Proceeds from sale of financial assets		**6**	-
Cash generated from investing activities		**6**	-
Net cash used in investing activities		**(4 730)**	(644)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from government		**3 087**	-
Cash generated from financing activities		**3 087**	-
Net cash provided by financing activities		**3 087**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1 985)**	(321)
CASH AND CASH EQUIVALENTS AT 1 JULY		**7 108**	7 429
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**5 123**	7 108

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Environment Protection Authority

(a) Strategic context

The Environment Protection Authority reporting entity (the EPA) includes the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSM Act
- the Environment Protection Fund established under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment.

The administrative unit provides administrative assistance and facilities to the statutory authority. The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

For further information regarding the reporting entity, refer to Note 2(c).

The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- review, develop and draft environmental protection policies and national environment protection measures
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- conduct compliance investigations and institute environmental monitoring and evaluation programs
- provide advice and assistance regarding best environmental management practice.

The Authority has a key advocacy and engagement role across Government and with the people of South Australia, business and communities throughout South Australia, to achieve a healthy and valued environment.

(b) Financial arrangements

The Department for Environment and Heritage (DEH) provides some professional, technical and administrative support to the EPA. The identifiable direct costs of providing these services are met by the EPA. In addition, certain services are provided by DEH at no charge to the EPA and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services. A Memorandum of Understanding was signed on 31 May 2004 between DEH and the EPA relating to the future provision of these services. During 2008-09 a number of accounting services previously provided by DEH were transitioned to Shared Services SA (SSSA). These services included payroll, accounts payable and financial accounting.

The statutory authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- environment licences
- waste levies from landfill depots
- fines and penalties
- section 7 enquiries.

The financial activities of the EPA are primarily conducted through deposit accounts with the Department of Treasury and Finance pursuant to section 8 and section 21 of the PFAA . The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the EPA has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the EPA for the reporting period ending 30 June 2009.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the EPA'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
- the selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for each entity within the SA Government 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 EPA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

(c) Reporting entity

The Environment Protection Authority reporting entity includes the following:

- the Environmental Protection Authority - a statutory authority with an appointed board established by the *Environment Protection Act 1993*
- an administrative unit also named the Environment Protection Authority established under the PSM Act
- the Environment Protection Fund established under the *Environment Protection Act 1993*

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The EPA's financial statements include assets, liabilities, revenues and expenses attributable to radiation protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in Note 33. However assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The Environment Protection Fund meets the accounting criteria of a controlled entity of the EPA and consequently the assets and liabilities of the Fund are recognised by the EPA in the Statement of Financial Position, the Fund's revenues and expenses have been recognised in the EPA's Statement of Comprehensive Income and the Fund's changes in equity have been recognised in the EPA's Statement of Changes in Equity. The transactions of the Fund are disclosed in Note 31.

(d) Transferred functions

The EPA has not transferred any functions to SSSA during the 2008-09 financial year. However as detailed in Note 1(b), payroll, accounts payable and financial accounting services previously outsourced to DEH, have transitioned to SSSA during 2008-09. These arrangements are now subject to separate service level agreements between the EPA and SSSA.

(e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg in preparing a single Statement of Comprehensive Income.

(f) Rounding

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

(g) Taxation

The EPA is not subject to income tax. The EPA 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:

- where the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case 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.

DEH prepares a Business Activity Statement on behalf of the EPA under the grouping provisions of the GST legislation. Under these provisions, DEH is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to the EPA forms part of the receivables and payables recorded in DEH's Statement of Financial Position and the GST cash flows recorded in DEH's Statement of Cash Flows.

(h) Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

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

(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 the EPA 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

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.

Licence fees are recognised as revenue by the EPA upon receipt.

Waste levies are recognised by the EPA on an accrual basis

With respect to licence fees under the *Radiation Protection and Control Act 1982*, the EPA recognises this revenue upon receipt.

Contributions received

Contributions are recognised as an asset and income when the EPA 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).

Contributions received (continued)
Generally, the EPA 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 EPA have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government
Appropriations for program funding are recognised as revenues when the EPA 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 EPA and the appropriation is recorded as contributed equity. The EPA received a $3.1 million equity contribution in 2008-09.

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

Other income
Other income consists of dividends received, sundry expense reimbursements and disposal proceeds from the sale of listed equities.

Expenses
Employee benefits
Employee benefits include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

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

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

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:

Class of asset	*Useful life (years)*
Computing equipment	3-10
Application software	3-15
Infrastructure	5-50
Plant and equipment	3-30
Leasehold improvements	15
Moveable vehicles	10-25
Furniture and fittings	10-15
Buildings and improvements	30-50
Other	7-10

Grants and subsidies
For contributions payable, the contribution will be recognised as a liability and expense when the EPA has a present obligation to pay the contribution and the expense recognition criteria are met.

All contributions paid by the EPA have been contributions with unconditional stipulations attached.

(j) Current and non-current classification

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

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

(k) Assets

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

Where an asset line item combines accounts expected to be settled within 12 months and more than 12 months, the EPA has separately disclosed the amounts expected to be recovered after more than 12 months.

Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from fees and charges, interest and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are generally due within 30 days after the issue of an invoice.

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

Other financial assets

The EPA measures financial assets at historical cost.

Non-current assets - acquisition and recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value over $5000 are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). Every five years, the EPA 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, when 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 as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation 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 restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

The EPA undertook an independent professional valuation in 2004-05 for all buildings and infrastructure. Land was last revalued in 2003-04 and to align, all revaluations will be updated in the 2009-10 financial year.

Assets deemed to be at fair value
APF III states that revaluation of a non-current asset, or group of assets, is required only when its fair value at the time of acquisition is greater than $1 million and its estimated useful life is greater than three years. Asset classes that did not satisfy this criteria and are therefore deemed to be at fair value include:

- moveable vehicles
- computing equipment
- application software
- furniture and fittings
- plant and equipment

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

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

Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The EPA only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $5000.

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

(l) Liabilities

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

Where a liability line item combines accounts expected to be settled within 12 months and more than 12 months, the EPA has separately disclosed the amounts expected to be settled after more than 12 months.

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 EPA.

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 the date the invoice is first received.

Employee benefit on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, long service leave and annual leave.

The EPA makes contributions to several state government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The EPA has entered into one or more operating leases.

- Operating leases
  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.
- Lease incentive
  All incentives for the agreement of a 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 EPA in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

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

Wages, salaries, annual leave and sick leave
Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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 SA 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 EPA's experience of employee retention and leave taken.

Provisions
Provisions are recognised when the EPA 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 EPA expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies
The EPA has early adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101).

Except for the amendments to AASB 101, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the EPA for the period ending 30 June 2009. The EPA has assessed the impact of the new and amended standards and Interpretations and considers that there will be no impact on the accounting policies or the financial statements of the EPA.

4. Activities of the EPA
The EPA is funded by appropriation and fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the EPA to focus on environment protection activities, the EPA conducts it's services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic policy for all South Australians. As the EPA conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

5. Employee benefits	**2009**	2008
	$'000	$'000
Salaries and wages	**14 072**	13 664
Long service leave	**424**	617
Annual leave	**1 367**	1 366
Employment on-costs - superannuation	**1 884**	1 791
Employment on-costs - other	**891**	930
Boards and committee fees	**186**	100
Other employment related expenses	**367**	529
Total employee benefits	**19 191**	18 997

Employee remuneration

The number of employees whose remuneration received or receivable, greater than $100 000, falls within the following bands:	**2009 Number**	2008 Number
$100 000 - $109 999	**15**	11
$110 000 - $119 999	**5**	3
$120 000 - $129 999	**-**	1
$130 000 - $139 999	**-**	2
$140 000 - $149 999	**1**	1
$150 000 - $159 999	**2**	2
$160 000 - $169 999	**-**	1
$170 000 - $179 999	**1**	-
$180 000 - $189 999	**1**	1
$200 000 - $209 999	**1**	-
Total number of employees	**26**	22

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 $3.141 million ($2.67 million).

6. Supplies and services

	2009 $'000	2008 $'000
Accommodation and property management expenses	**2 676**	1 899
Consultants	**10**	19
Contractors	**772**	883
Fee for service	**911**	903
General administration	**944**	506
Information technology and communication expenses	**598**	655
Minor works, maintenance and equipment	**458**	462
Monitoring fees	**27**	88
Scientific and technical services	**589**	763
Transportation	**139**	109
Travel and accommodation	**187**	166
Vehicle and aircraft	**363**	343
Other	**368**	511
Total supplies and services	**8 042**	7 307

Supplies and services provided by entities within the SA Government

Accommodation and property management expenses	**2 561**	1 636
Scientific and technical services	**166**	-
General administration	**125**	-
Vehicle and aircraft	**350**	-
Total supplies and services - SA Government entities	**3 202**	1 636

Consultants

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

	2009		2008	
	Number	**$'000**	Number	$'000
Below $10 000	**-**	**-**	2	3
Between $10 000 and $50 000	**1**	**10**	1	16
Total paid / payable to the consultants engaged		**10**		19

7. Depreciation and amortisation

	2009	2008
Depreciation:	**$'000**	$'000
Buildings and improvements	**3**	3
Computing equipment	**27**	21
Furniture and fittings	**102**	112
Leasehold improvements	**113**	-
Moveable vehicles	**3**	4
Infrastructure	**15**	12
Plant and equipment	**397**	540
Other	**2**	2
Total depreciation	**662**	694
Amortisation:		
Application software	**187**	122
Total amortisation	**187**	122
Total depreciation and amortisation	**849**	816

The EPA relocated premises in March 2009. As a result of the capitalisation of the new office fitout higher depreciation expense was recorded. This will also be reflected in future years.

8. Grants and subsidies

	2009 $'000	2008 $'000
Grants and subsidies paid/payable to entities within the SA Government:		
Department for Environment and Heritage	**269**	23
Department of Water, Land and Biodiversity Conservation	**-**	7
Zero Waste SA[(i)]	**11 682**	11 467
Total grants and subsidies paid / payable to entities within the SA Government	**11 951**	11 497
Grants and subsidies paid/payable to entities external to the SA Government:		
Community organisations and associations	**150**	170
Individuals - solar hot water rebate	**214**	58
Local Government	**-**	10
Commonwealth Government	**37**	118
Universities	**-**	6
Other	**-**	51
Total grants and subsidies paid / payable to entities external to the SA Government	**401**	413
Total grants and subsidies	**12 352**	11 910

(i) As per section 113 of the *Environment Protection Act 1993* the EPA earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the *Zero Waste SA Act 2004*.

9. Net loss from disposal of non-current assets

	2009 $'000	2008 $'000
Furniture and fittings:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**(324)**	-
Net loss from disposal	**(324)**	-
Plant and equipment:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**(2)**	(17)
Net loss from disposal	**(2)**	(17)
Other assets:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**(2)**	-
Net gain (loss) from disposal	**(2)**	-
Total assets:		
Proceeds from disposal	**-**	-
Net book value of assets disposed	**(328)**	(17)
Total net loss from disposal	**(328)**	(17)

10. Other expenses

	2009 $'000	2008 $'000
Bad and doubtful debts	**9**	(2)
Capital project costs - not capitalised	**9**	-
Other	**82**	-
Total other expenses	**100**	64
Other expenses paid/payable to entities within the SA Government:		
Other (including audit fees - see Note 11)	**77**	66
Total other expenses provided by entities within the SA Government	**77**	66

11. Auditor's remuneration

	2009 $'000	2008 $'000
Audit fees paid/payable to the Auditor-General's Department	**77**	66
Total audit fees	**77**	66

Other services

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

12. Fees and charges

	2009 $'000	2008 $'000
Fees and charges received/receivable:		
Fines and penalties	**259**	44
Fees, levies and licenses	**9 749**	7 905
Waste levies	**23 267**	24 326
Sale of goods	**1**	1
Sale of professional services	**65**	68
Section 7 enquiries	**313**	355
Total fees and charges	**33 654**	32 699

13. Grants and contributions

	2009	2008
Grants:	**$'000**	$'000
Administered entities(iv)	**105**	-
SA Government grants(i)	**1 221**	974
	1 326	974
Grants and contributions received/receivable from entities external to the SA Government:		
Commonwealth Government(ii)	**377**	263
Private industry and Local Government(iii)	**-**	9
	377	272
Total grants and contributions	**1 703**	1 246

(i) SA Government grants and contributions:		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	**55**	-
Department of Water, Land and Biodiversity Conservation	**701**	368
SA Murray-Darling Basin Natural Resources Management Board	**22**	75
South Australia Water Corporation	**27**	40
Zero Waste SA	**64**	213
Department of Further Education, Employment, Science and Technology	**150**	150
Department for Environment and Heritage	**200**	126
Other	**2**	2
	1 221	974
(ii) Commonwealth Government:		
Natural Heritage Trust	**50**	23
Department of the Environment, Water, Heritage and the Arts	**200**	240
Bureau of Meteorology	**65**	-
CSIRO	**26**	-
Department of Agriculture, Fisheries and Forestry	**36**	-
	377	263
(iii) Private industries and Local Government:		
Australian Acoustical Society	**-**	9
	-	9
(iv) Administered entities:		
Adelaide Coastal Waters Study	**105**	-
	105	-

It was agreed by the financial contributors of the Adelaide Coastal Waters Study that any funds remaining from the project would be used to assist in the funding of the Adelaide Water Quality Improvement Plan controlled by the EPA. As the outcomes of this study have now been achieved, the surplus funds have been recognised as a contribution to the EPA.

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date were $3.867 million ($3.85 million). The EPA is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the EPA on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2009	2008
	$'000	$'000
Environment Protection Fund	**3 380**	2 695
Water Quality Improvement Program	**127**	-
NRG Flinders	**214**	435
Chemcollect	**99**	348
External funded projects	**47**	372
	3 867	3 850

Conditions attached to these contributions include the completion of program milestones, project acquittal and other project specific requirements. Funds can only be released from the Environment Protection Fund with approval from the Treasurer.

14. Interest revenue

	2009	2008
	$'000	$'000
Interest revenue received/receivable from entities within the SA Government	**132**	155
Total interest received	**132**	155

15. Other income

Other income received/receivable:		
Salaries and wages recoveries	**-**	51
Other sundry revenue	**73**	1
Total other income	**73**	52

16. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriations Act*	**3 852**	4 799
Contingency funds	**15**	12
Total SA Government revenues	**3 867**	4 811

16. Revenues from SA Government (continued)

Total revenues from Government consists of $3.355 million ($4.315 million) for operational funding and $512 000 ($496 000) for capital projects. For details on the expenditure associated with the operational funding and capital funding received refer to Notes 5 to 11. There were no material variations between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	2009	2008
	$'000	$'000
Deposits with the Treasurer	**1 738**	4 408
Environment Protection Fund Deposit Account	**3 380**	2 695
Cash on hand/imprest accounts	**5**	5
Total cash and cash equivalents	**5 123**	7 108

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest rate risk

Cash on hand is non-interest bearing. Deposits with the Treasurer and the EPF Deposit Account earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Correction of Accrual Appropriation Account

In 2007-08, $489 000 was incorrectly credited to appropriation revenue when the credit should have been applied to the Accrual Appropriation Excess Funds Account. An adjustment has been made to correct this error and relevant comparative figures have been restated.

18. Receivables

	2009	2008
Current:	$'000	$'000
Receivables	**2 088**	2 358
Allowance for doubtful debts	**(11)**	(2)
	2 077	2 356
Accrued revenues	**8**	15
Workers compensation recoveries	**1**	1
Total current receivables	**2 086**	2 372
Current:		
Receivables from entities within the SA Government:		
Receivables	**49**	-
Accrued revenues	**8**	15
	57	15
Non-current:		
Receivables from entities external to the SA Government:		
Workers compensation recoveries	**4**	3
	4	3
Total non-current receivables	**4**	3

Movement in allowance for doubtful debts

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

Movements in the allowance for doubtful debts (impairment loss)	2009	2008
	$'000	$'000
Carrying amount at 1 July	**2**	4
Increase in the allowance	**9**	-
Decrease in allowance recognised in the Statement of Comprehensive Income	**-**	(2)
Carrying amount at 30 June	**11**	2

Interest rate and credit risk

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

19. Financial assets

	2009	2008
Non-current:	$'000	$'000
Equity in listed entities	**-**	5
Total financial assets	**-**	5

20. Property, plant and equipment

	2009 $'000	2008 $'000
Land:		
Independent valuation	**100**	100
Total land	**100**	100
Buildings and improvements:		
Independent valuation	**84**	84
At cost (deemed fair value)	**7**	7
Accumulated depreciation	**(55)**	(52)
Total buildings and improvements	**36**	39
Infrastructure:		
Independent valuation	**151**	188
At cost (deemed fair value)	**152**	72
Accumulated depreciation	**(49)**	(34)
Total infrastructure	**254**	226
Capital works in progress:		
Capital works in progress	**111**	498
Total capital works in progress	**111**	498
Moveable vehicles:		
At cost (deemed fair value)	**101**	101
Accumulated depreciation	**(63)**	(60)
Total moveable vehicles	**38**	41
Computing equipment:		
At cost (deemed fair value)	**191**	199
Accumulated depreciation	**(146)**	(165)
Total computing equipment	**45**	34
Furniture and fittings:		
At cost (deemed fair value)	**672**	1 219
Accumulated depreciation	**(469)**	(592)
Total furniture and fittings	**203**	627
Leasehold improvements		
At cost	**5 082**	-
Accumulated depreciation	**(113)**	-
Total leasehold improvements	**4 969**	-
Plant and equipment:		
Independent valuation	**1 087**	627
At cost (deemed fair value)	**3 312**	3 688
Accumulated depreciation	**(3 568)**	(3 311)
Total plant and equipment	**831**	1 004
Other:		
Independent valuation	**27**	69
At cost (deemed fair value)	**42**	144
Accumulated depreciation	**(69)**	(67)
Total other	**-**	146
Total property, plant and equipment	**6 587**	2 715

Valuation of land and buildings

The valuation of buildings and infrastructure was performed by an independent valuer from the Australian Valuation Office as at 30 May 2005. Land was valued by an independent valuer from the Australian Valuation Office as at 30 June 2004.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2009.

Asset movement reconciliation 2008-09

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is displayed in the following table.

Asset movement reconciliation 2008-09 (continued)

	Carrying amount 01.07.08 $'000	Transfer between classes $'000	Additions $'000	Additions - transfer to (from) CWIP $'000
Land	**100**	**-**	**-**	**-**
Buildings and improvements	**39**	**-**	**-**	**-**
Infrastructure	**226**	**29**	**14**	**-**
Capital works in progress	**498**	**-**	**5 502**	**(5 880)**
Moveable vehicles	**41**	**-**	**-**	**-**
Computing equipment	**34**	**19**	**19**	**-**
Furniture and fittings	**627**	**-**	**2**	**-**
Plant and equipment	**1 004**	**88**	**64**	**74**
Leasehold improvements	**-**	**-**	**-**	**5 082**
Other	**146**	**(144)**	**-**	**-**
Intangible assets	**625**	**8**	**-**	**724**
Carrying amount at 30 June	**3 340**	**-**	**5 601**	**-**

	Depreciation/ amortisation expense $'000	Disposals $'000	Non-capital WIP expensed $'000	Carrying amount 01.07.09 $'000
Land	**-**	**-**	**-**	**100**
Buildings and improvements	**(3)**	**-**	**-**	**36**
Infrastructure	**(15)**	**-**	**-**	**254**
Capital works in progress	**-**	**-**	**(9)**	**111**
Moveable vehicles	**(3)**	**-**	**-**	**38**
Computing equipment	**(27)**	**-**	**-**	**45**
Furniture and fittings	**(102)**	**(324)**	**-**	**203**
Plant and equipment	**(397)**	**(2)**	**-**	**831**
Leasehold improvements	**(113)**	**-**	**-**	**4 969**
Other	**(2)**	**-**	**-**	**-**
Intangible assets	**(187)**	**(2)**	**-**	**1 168**
Carrying amount at 30 June	**(849)**	**(328)**	**(9)**	**7 755**

The additions to leasehold improvements during the 2008-09 financial year included fitout costs for rental premises for 250 Victoria Square, Adelaide.

Asset movement reconciliation 2007-08

	Carrying amount 01.07.07 $'000	Transfer between classes $'000	Additions $'000
Land	100	-	-
Buildings and improvements	42	-	-
Infrastructure	232	6	-
Capital works in progress	19	-	479
Moveable vehicles	45	-	-
Computing equipment	42	13	-
Furniture and fittings	739	-	-
Plant and equipment	1 439	52	70
Other	75	(71)	144
Intangible assets	722	-	25
Carrying amount at 30 June	3 455	-	718

	Depreciation/ amortisation expense $'000	Disposals $'000	Carrying amount 01.07.08 $'000
Land	-	-	100
Buildings and improvements	(3)	-	39
Infrastructure	(12)	-	226
Capital works in progress	-	-	498
Moveable vehicles	(4)	-	41
Computing equipment	(21)	-	34
Furniture and fittings	(112)	-	627
Plant and equipment	(540)	(17)	1 004
Other	(2)	-	146
Intangible assets	(122)	-	625
Carrying amount at 30 June	(816)	(17)	3 340

21. Intangible assets

	2009	2008
Computer software (internally generated):	**$'000**	$'000
At cost (deemed fair value)	**2 446**	1 722
Accumulated amortisation	**(1 278)**	(1 097)
Total computer software (internally generated)	**1 168**	625

The internally developed computer software relates primarily to the EPA's General Environment Information System and Integrated Information System.

22. Payables

	2009	2008
Current:	**$'000**	$'000
Creditors	**1 088**	1 510
Accrued expenses	**77**	66
Employee benefit on-costs	**371**	387
Total current payables	**1 456**	1 963
Payables to SA Government entities:		
Creditors	**171**	384
Accrued expenses	**77**	66
Employee benefit on-costs	**371**	387
	619	837
Non-current:		
Employee benefit on-costs	**358**	354
Total non-current payables	**358**	354
Payables to SA Government entities:		
Employee benefit on-costs	**358**	354

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate of 35 percent to 45 percent. This rate is used in the employment oncost calculation. The net financial effect of the change in the current financial year is an increase in the employment on-cost of $95 200.

Interest rate and credit risk

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

23. Employee benefits

	2009	2008
Current:	**$'000**	$'000
Annual leave	**1 192**	1 150
Short-term long service leave	**584**	249
Accrued salaries and wages	**485**	367
Total current employee benefits	**2 261**	1 766
Non-current:		
Long service leave	**2 954**	3 428
Total non-current employee benefits	**2 954**	3 428
Total employee benefits	**5 215**	5 194

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 2008 benchmark of 6.5 years.

In addition, the actuarial assessment performed by the Department of Treasury and Finance revised the salary inflation rate down to 4 percent from the 2008 rate of 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of $5731 and employee benefit expenses of $977.

24. Provisions

	2009	2008
Current:	**$'000**	$'000
Provision for workers compensation	**27**	34
Total current provisions	**27**	34
Non-current:		
Provision for workers compensation	**80**	88
Total non-current provisions	**80**	88
Total provisions	**107**	122

Provision movement

Carrying amount at 1 July	**122**	105
Additional provisions recognised	**-**	-
Reductions resulting from re-measurement or settlement without cost	**(15)**	-
Unwinding of discount and effect of change in the discount rate	**-**	17
Carrying amount at 30 June	**107**	122

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

25. Other liabilities

	2009	2008
Current:	**$'000**	$'000
Lease incentive	**67**	-
Other	**14**	1
Total current other liabilities	**81**	1
Non-current:		
Lease incentive	**911**	-
Total non-current other liabilities	**911**	-

26. Unrecognised contractual commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, is payable as follows:		
Within one year	**550**	-
Total capital commitments	**550**	-

The Authority's capital commitments are for remaining fitout expenses for 250 Victoria Square and 13 Byron Place Adelaide. These projects are expected to be completed by 30 June 2010.

Remuneration commitments

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

	2009	2008
	$'000	$'000
Within one year	**1 054**	735
Later than one year but not later than five years	**1 988**	2 296
Total remuneration commitments	**3 042**	3 031

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

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**2 072**	905
Later than one year but not later than five years	**7 927**	413
Later than five years	**18 915**	-
Total operating lease commitments	**28 914**	1 318
Representing:		
Non-cancellable operating leases	**28 914**	1 318
Total operating lease commitments	**28 914**	1 318

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

Lease commitments have increased due to the Authority entering into new leasing arrangements during the period for 13 Byron Place and 250 Victoria Square, Adelaide.

27. Contingent assets and liabilities

Contingent assets

The EPA is not aware of the existence of any contingent assets as at 30 June 2009.

Contingent liabilities

The EPA is not aware of the existence of any contingent liabilities as at 30 June 2009.

28. Remuneration of Board and Committee members

Members that were entitled to receive remuneration for membership during the 2008-09 financial year were:

Board of the Environment Protection Authority (EPA)

Ms Cheryl Bart (appointed 7 August 2008)
Mr Stephen Hains
Ms Jane Yulie (appointed 5 March 2009)
Mrs Cheryl Hill
Ms Megan Dyson
Ms Linda Bowes
Mr Greg Panigas (term expired 3 March 2009)
Ms Yvonne Sneddon (term expired 20 April 2009)

Radiation Protection Committee

Ms Sharon Paulka
Dr Gerald Laurence
Ms Jill Fitch
Ms Katheryn Taylor
Dr Michael Lardelli

28. Remuneration of Board and Committee members (continued)

The number of members whose remuneration received or receivable falls within the following bands:	**2009 Number**	2008 Number
$0	**2**	2
$1 - $9 999	**4**	6
$10 000 - $19 999	**1**	6
$20 000 - $29 999	**5**	-
$30 000 - $39 999	**1**	-
Total number of Board and Committee members	**13**	14

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was $188 797 ($115 160).

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

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

29. Cash flow reconciliation

	2009	2008
Reconciliation of cash and cash equivalents:	**$'000**	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	**5 123**	7 108
Cash and cash equivalents disclosed in the Statement of Cash Flows	**5 123**	7 108

Reconciliation of net cash provided by operating activities to net cost of providing services

Net cash (used in) provided by operating activities	**(342)**	323
Revenues from SA Government	**(3 867)**	(4 811)
Less: Non-cash items:		
Depreciation and amortisation	**(849)**	(816)
Net loss on disposal of assets	**(328)**	(17)
Lease incentive	**1 000**	-
Movement in assets and liabilities:		
(Decrease) Increase in receivables	**(285)**	998
Increase in other assets	**9**	11
Decrease (Increase) in payables	**359**	(772)
Increase in employee benefits	**(21)**	(156)
Decrease (Increase) in provisions	**15**	(17)
(Increase) Decrease in other liabilities	**(991)**	298
Net cost of providing services	**(5 300)**	(4 959)

30. 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.

Statement of Financial Position		**2009**		2008	
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	17	**5 123**	**5 123**	7 108	7 108
Receivables	18	**2 090**	**2 090**	2 375	2 375
Financial assets	19	**-**	**-**	5	5
Financial liabilities					
Payables	22	**1 814**	**1 814**	2 317	2 317

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the EPA does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 18 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

The following table discloses the ageing of financial assets and the ageing of impaired assets.

		Past due by			
2009	**Current (not overdue) $'000**	**Overdue for less than 30 days $'000**	**Overdue for 30-60 days $'000**	**Overdue for more than 60 days $'000**	**Total $'000**
Not Impaired:					
Receivables	**935**	**894**	**100**	**172**	**2 101**
Impaired:					
Receivables	**-**	**-**	**-**	**11**	**11**
2008					
Not Impaired:					
Receivables	2 096	131	102	44	2 373
Financial assets	5	-	-	-	5
Impaired:					
Receivables	-	-	-	2	2

Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturity			
2009	**Carrying amount $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets:				
Cash and cash equivalents	**5 123**	**5 123**	**-**	**-**
Receivables	**2 090**	**2 086**	**4**	**-**
Total financial assets	**7 213**	**7 209**	**4**	**-**
Financial liabilities:				
Payables	**1 814**	**1 456**	**358**	**-**
Total financial liabilities	**1 814**	**1 456**	**358**	**-**
2008				
Financial assets:				
Cash and cash equivalents	7 108	7 108	-	-
Receivables	2 375	2 372	3	-
Financial assets	5	5	-	-
Total financial assets	9 488	9 485	3	-
Financial liabilities:				
Payables	2 317	1 963	354	-
Total financial liabilities	2 317	1 963	354	-

Liquidity risk

Liquidity risk arises where the EPA is unable to meet its financial obligations as they fall due. The EPA is funded principally from waste levies and annual licence fees. The EPA 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 EPA 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 EPA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market risk

The EPA has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the EPA as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

31. The Environment Protection Fund

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the EPA's financial statements, transactions between the Fund and the EPA have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2009

	2009	2008
EXPENSES:	**$'000**	$'000
Employee benefits	**537**	112
Supplies and services	**615**	773
Grants and subsidies expense	**32**	152
Total expenses	**1 184**	1 037
INCOME:		
Fees and charges	**1 838**	1 584
Interest revenue	**132**	155
Grants and contributions	**-**	2
Total income	**1 970**	1 741
NET RESULT	**786**	704

Statement of Financial Position as at 30 June 2009

CURRENT ASSETS:		
Cash and cash equivalents	**3 380**	2 695
Receivables	**128**	142
Total current assets	**3 508**	2 837
Total assets	**3 508**	2 837
CURRENT LIABILITIES:		
Payables	**18**	148
Employee benefits	**15**	-
Total liabilities	**33**	148
NET ASSETS	**3 475**	2 689
EQUITY:		
Retained earnings	**3 475**	2 689
TOTAL EQUITY	**3 475**	2 689

Statement of Changes in Equity for the year ended 30 June 2009

	Retained Earnings $'000	Total $'000
Balance at 30 June 2007	1 985	1 985
Net Result for 2007-08	704	704
Balance at 30 June 2008	2 689	2 689
Net Result for 2008-09	786	786
Balance at 30 June 2009	**3 475**	**3 475**

Statement of Cash Flows for the year ended 30 June 2009

	2009 Inflows (Outflows)	2008 Inflows (Outflows)
Cash flows from operating activities:	**$'000**	$'000
CASH INFLOWS:		
Fees and charges	**1 860**	1 624
Grant and contribution receipts	**-**	2
Interest received	**124**	140
Total cash inflows	**1 984**	1 766
CASH OUTFLOWS:		
Board member remuneration payments	**(528)**	(113)
Payments for supplies and services	**(739)**	(668)
Grant and contribution payments	**(32)**	(152)
Total cash outflows	**(1 299)**	(933)
Net cash inflows from operating activities	**685**	833
Cash at 1 July	**2 695**	1 862
Cash at 30 June	**3 380**	2 695

32. Administered item of the EPA

(a) Reporting entity and strategic context

The major objective of the Adelaide Coastal Waters Study Steering Committee (the Committee) is to carry out an integrated ecological study of the marine environment off metropolitan Adelaide. The study is referred to as the Adelaide Coastal Waters Study (ACWS) and focuses on the issues of loss of seagrass, declining water quality, algal blooms, beach closures, sand loss and wide scale movement, sediment on reef systems, mangrove dieback and problems caused by exotic organisms.

(b) Administered item financial arrangements

The Committee's sources of funds consist of monies contributed by Mobil Australia, Ports Corp, SA Water Corporation, Adelaide and Mount Lofty Ranges Natural Resources Management Board, TRU Energy, the Department for Transport, Energy and Infrastructure, the Department of Primary Industries and Resources, the Coast Protection Board and the EPA.

The financial activities of the Committee are conducted through the EPA's Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the PFAA.

Effective from 1 July 2008, the Steering Committee resolved that the contractual obligations for the ACWS had been fulfilled and it was agreed by the financial contributors that the remaining $105 000 of funds remaining would be used to assist the funding of the Adelaide Coastal Water Quality Improvement Plan controlled by the EPA. These funds have been recognised as a contribution in the Statement of Comprehensive Income for the EPA.

As the objectives of the AWCS have now been achieved, the Committee has been terminated with agreement of Committee members.

33. Radiation protection function

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982.*

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. Transactions between the Radiation Protection division and the statutory authority have been eliminated in preparing the financial statements.

Statement of Comprehensive Income for the year ended 30 June 2009

Radiation Protection Division	**2009**	2008
EXPENSES:	**$'000**	$'000
Employee benefits	**1 271**	1 195
Supplies and services	**108**	118
Total expenses	**1 379**	1 313
INCOME:		
Fees and charges	**1 511**	1 294
Total income	**1 511**	1 294
Net benefit (cost) of providing services	**132**	(19)

DEPARTMENT FOR FAMILIES AND COMMUNITIES

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Families and Communities (DFC or the Department) is an administrative unit established pursuant to the PSM Act.

Functions

DFC works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected. DFC is responsible for delivering specific programs to the public with respect to activities assigned to it under various Acts.

In addition, DFC provides all the employee and housing related services to the South Australian Housing Trust (SAHT) through the Housing SA division of DFC. A service level agreement with the SAHT sets out arrangements including human resources, information technology, fleet management and internal audit.

For more information about DFC's objectives and functions refer to Note 1 of the financial statements.

Changes to functions and structure

During 2008-09 the following services were transitioned from DFC to the Department of Treasury and Finance for Shared Services SA (SSSA):

- accounts payable
- accounts receivable
- systems administration
- payroll services
- financial accounting
- taxation services
- Masterpiece technical support.

Further, arrangements for the delivery of certain business services to the Department of Health ceased during the year.

Notes 1.2 and 31 to the financial statements provide details (including financial information) of the changes.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of DFC 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 DFC in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of audit

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

During 2008-09, specific areas of audit attention included:

- payroll
- accounts payable
- revenue
- accounts receivable
- financial accounting and general ledger
- administration of concessions
- fixed assets
- grant payments.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Use was made of the internal audit work on grants management.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department for Families and Communities as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department for Families and Communities 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 Implementation of the revised TIs 2 and 28, Management of grant payments – internal audit review, Brokerage payments, Payroll and Financial accounting, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities 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 DFC and the Chief Executive of SSSA. Responses to the management letters were generally considered to be satisfactory. Major matters raised with DFC and SSSA and related responses are detailed below.

Implementation of the revised TIs 2 and 28

The audit found that DFC had worked towards implementing the new TIs including conducting a management self assessment of its policies and procedures and developing a 'Financial Services TIs 2 and 28 Implementation Plan'.

While making this progress, DFC had not fully implemented a financial management compliance program in 2008-09. The following gaps/actions were raised with the Department:

- DFC's implementation plans were not formally adopted or approved. Further, they did not define the role of the DFC's Risk Management and Audit Committee or its Risk Management and Internal Audit team (RMIA) in ensuring compliance with TI 28.

  DFC responded that responsibility for implementing TIs 2 and 28 rests with the Executive Director, Financial Services and the compliance program will be signed off by the Chief Executive. DFC also indicated that progress will be regularly reported to the Risk Management and Audit Committee and that the RMIA will have a role in undertaking compliance work in 2009-10.

- A 'TI 28 Compliance Program and Control Self Assessment Policy and Procedure' was drafted, but not finalised or approved.

  DFC responded that the delay was due partly to uncertainty resulting from the transition of accounting functions to SSSA. DFC stated that the policy will be finalised and approved by the Chief Executive in December 2009.

DFC's 'TI 28 Financial Management Compliance Program – Checklist' was incomplete and did not:

- consider financial management outside of the central financial services team
- define control elements to be tested
- consistently identify the individual officer(s) responsible for the control.

DFC responded that it had robust compliance processes in place supported by good policies and procedures. It indicated that, as it was the implementation year, the checklist had yet to adequately describe or support the processes and governance frameworks. DFC stated that the Financial Management Compliance Program will be updated by 30 September 2009 and will continue to be refined during 2009-10. It further commented that control elements to be tested will be identified and maintained in a register.

- Progress made as at June 2009 mainly involved evaluation of DFC's policies and procedures against Department for Treasury and Finance (DTF) guidelines. The 2008-09 implementation plan did not include work to ensure DFC complies with these policies and procedures.

  DFC responded that the first steps of the implementation process were to assess current controls and compliance programs, identify deficiencies and non-compliance and develop implementation plans. Further, DFC expects to refine its financial management compliance program register in 2009-10.

Management of grant payments – internal audit review

Prior year reports have identified a number of areas for potential improvement regarding DFC's administration of grant payments including grants to non-government organisations (NGOs).

One of DFC's key objectives identified in its 'Five Year Strategic Plan 2009-2013' is to improve its contract management system and develop a transparent and robust process to award funding agreements. During 2008-09 the Department's RMIA reviewed grants management.

The scope of the review covered many areas on which Audit have previously reported. Audit reviewed work performed by RMIA and did additional sample testing so that reliance could be placed on the review and the resultant findings.

The RMIA report acknowledged inherent difficulties associated with establishing a grant management control framework including the complexity, diversity and the volume of NGOs and grant payments made. It further acknowledges the Department's progress in the last two years establishing improved high level control direction.

However, it also highlighted a number of areas of concern requiring improvement to provide reasonable assurance that there is value for money, probity, performance and compliance from NGO funded activities. In particular, the RMIA report recommended improvement in the following areas.

Needs based planning and sector analysis

The report found that managers had a good understanding of their particular sector and that grant funding was supported by service/program proposals which documented the rationale and justification for the allocation of funding. However, this documentation was found to be largely prepared after funding decisions were made. In practice, funding was in many cases granted to the same provider involving the same amounts (plus indexation) year on year.

Strong evidence supporting funding decisions is important to ensure limited resources can be targeted to the areas of most need supporting DFC's objectives. In this respect, the report recommended that each division perform a high level needs assessment and map existing services to these needs to better identify unmet needs and future priorities.

Budgeting and unit costing

The review identified that allocation of funding is not generally based on detailed budgets submitted by the provider. Further, in general, funding was not guided by established unit costs. The report considered that these factors limited the effectiveness of review of value for money and performance.

The report recommended:

- detailed budgets are requested from providers prior to service agreements being finalised
- analysis of actual financial results against budget and prior years
- unit costing be further developed
- establishment of criteria in assessing reasonableness of unit costs.

Performance management

The report noted improvements made since the introduction of a performance management framework. However, sample testing found that files contained limited evidence to support comments in the formal performance reviews. In particular, the testing found limited evidence of review of information on financial acquittals, outputs against targets, key performance indicators and other qualitative information. The review found that performance review emphasis was largely based on receiving reports within timeframes rather than on level of service and value for money.

The report recommended that further documented procedures are implemented to provide additional guidance as to expected:

- financial analysis
- follow up of unspent funds
- analysis of output data to targets.

It was further recommended that data collection methods are improved to ensure Program Management Units are receiving relevant service delivery information.

The report recognised the high volume of grants provided across DFC and recommended that the level of performance review be based on assessed risks.

Other matters

Sample testing of grant agreements found a number of instances where service agreements were executed outside of delegated authority or after the funding had already commenced. Similarly, instances were noted where emergency funding payments were not approved or approved outside of delegated authority.

While some of the Report's findings may be able to be dealt with immediately, others will require a strategic approach over a longer period to implement and manage the required changes. In this respect, Audit inquired of the Chief Executive, the Department's position status and approach to the RMIA grants management report.

DFC responded with its commitment to further improving the way it contracts with and funds the community sector. It noted improvements in its high level control direction and suggested that it may take several years to attain a level of control maturity it deemed suitable for the complexity, diversity and quantum of grant funding managed by DFC.

DFC agreed in principle with the findings of the review and responded that it is currently preparing an implementation plan to address them. In further responding to the matters raised in the RMIA report, DFC committed to take action commensurate with the associated risk and commented on the following initiatives:

- DFC has established a Service Proposal Review Committee which has commenced a major grant reform project. The strategic intention of the project is to critically examine existing funds management practices and to implement a suite of funding administration reforms.

- Ongoing work to improve performance management including the development of a draft funding and accountability framework.

- DFC is currently developing detailed procedures and processes to ensure implementation of reform initiatives across the Department.

Further, the response stated that the RMIA will be providing ongoing advice, assurance, and independent monitoring.

In addition, at the time of preparation of this report, Audit was progressing a review of certain aspects of grant payments.

Brokerage payments

DFC brokers services from the non-government sector to address individual client needs. Brokerage payments includes services to clients of the Department's Disability SA and Domiciliary Care SA operations. The audit identified a need to improve aspects of the control environment. The following matters were raised with DFC:

- A need to improve processes for acknowledging the receipt of brokerage services prior to payment.
- Instances where services were delivered prior to formalising client service agreements.
- Instances where client service agreements could not be provided for audit review.
- Limited policy and procedural documents.

In certain circumstances brokerage costs can be recovered (compensable billing). Audit recommended improvements to ensure all such billing is invoiced in a timely manner.

DFC responded that it is currently reviewing processes and practices in brokerage. Included in this review are the following intended actions:

- Updating and developing policies and procedures.
- Updating processes to ensure certification of brokerage expenditure prior to payment.
- Strategies to help ensure client service agreements are in place prior to services being provided, including new contracting procedures and practices.

Further, the response indicated that an ongoing resource will be allocated to manage compensable activities within its Community Support Program.

Payroll

While significant components of the payroll processing environment transferred to SSSA during 2008-09, responsibility for key aspects of the control environment continue to exist within DFC, including management's review of payroll bona fide reports. This is an important part of any payroll environment as SSSA staff are unlikely to have a practical knowledge of an individual's attendance, leave or changes in employment.

Consistent with prior years, Audit found that management's review of payroll system reports (bona fide reports) was not performed adequately to achieve the report's objective of ensuring the validity and accuracy of employee payments.

Audit's review revealed similar findings to those reported last year, specifically:

- A significant number of bona fides were not returned within the seven day period in accordance with policy and in some cases remained outstanding at year end.
- Outstanding bona fide reports were not subject to timely follow-up and investigation.

DFC responded that its existing bona fide process is under review including developing an automated bona fide and leave management process which divides review processes into more manageable components. The response indicated that the new bona fide process will be rolled out by divisions starting October 2009 and be completed by June 2010. The response further indicated that DFC's Quality Assurance team will have a role in ensuring compliance with existing bona fide processes.

Financial accounting

A review of the financial accounting processes within DFC identified a need to improve aspects of the control environment. The following matters were raised with the Department:

- Limitations in DFC's controls to ensure adherence to various expenditure, revenue and payroll authorisations.
- Instances noted where journals were processed without the appropriate level of authorisation.
- Recommendation for improved control over who can request changes to the chart of accounts.
- Recommendation to establish procedure documents to support key reconciliations.
- Recommendation for more timely review of financial policies and procedures.

It is important to note that some aspects of these processes and controls have since transferred to SSSA. The findings reflect controls which existed prior to this move. As most of the functions initially transferred to SSSA on an 'as is' basis, including similar staff and processes, there will be a need for DFC to ensure these matters are satisfactorily addressed through the new arrangements.

The Department response included the following intended actions:

- Investigating options to increase the use of system based (enforced) compliance with delegation and to increase post processing controls over less risky delegation processes.

- Update of the 'Journal Authorisers Policy' to reflect changes in operations and to amend the authorised officers listing.
- Revision of the 'Chart of Accounts Policy and Procedure' to ensure appropriate controls exist and that it reflects the changed maintenance responsibilities of SSSA and the DFC.
- A policy will be developed supporting which general ledger reconciliations are required and when and how they are to be performed.

Further, DFC responded that it has since updated certain financial policies and procedures and will develop a register to assist in the timely identification of respective policy review dates.

Administration of concession payments

DFC administers the provision of concessions to eligible recipients for water, sewer and council rates; electricity and transport charges; and the Emergency Services levy. The value of concessions provided in the year to 30 June 2009 was $115 million ($113 million).

Over a number of years Audit review of the administration of concessions payments has highlighted areas where controls could be improved.

The audit for 2008-09 indicated that there remain a number of controls which require improvement. Matters raised with the Department predominately concerned the inability of DFC to comprehensively reconcile concession payments with client details maintained on the Department's databases.

DFC responded that these concerns will be addressed through the implementation of a new database system for concessions and seniors card administration. The new Concessions and Seniors Information System (CASIS) is planned for implementation during 2009-10.

Shared Services SA

As mentioned previously, during the year certain aspects of DFC's financial processing transferred to SSSA. A number of issues were raised in relation to the processing of payroll, accounts receivable and cash at bank by SSSA, including:

- scope to improve policy and procedure documentation for payroll reconciliations
- delays in follow up of outstanding debtors.

SSSA have advised of their intended actions to address these matters.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
EXPENSES		
Employee benefit expenses	**418**	395
Supplies, services and other expenses	**201**	173
Grants, subsidies and client payments	**685**	601
Total expenses	**1 304**	1 169
INCOME		
Rent, fees and charges	**110**	109
Commonwealth revenues	**155**	280
Other revenue	**6**	9
Total income	**271**	398
Net cost of providing services	**1 033**	771
REVENUES FROM SA GOVERNMENT	**984**	760
Net result	**(49)**	(11)
OTHER COMPREHENSIVE INCOME	**53**	36
Total comprehensive result	**4**	25

	2009 $'million	2008 $'million
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(14)**	19
ASSETS		
Current assets	**65**	67
Non-current assets	**276**	234
Total assets	**341**	301
LIABILITIES		
Current liabilities	**97**	85
Non-current liabilities	**81**	71
Total liabilities	**178**	156
EQUITY	**163**	145

Statement of Comprehensive Income

Expenses

In 2009 total expenses increased by $135 million to $1.3 billion. This reflects increases in grants, subsidies and client payment, $84 million, employee benefit expenses, $23 million, and supplies, services and other expenses, $28 million.

Grants, subsidies and client payments, $685 million, is the most material expenditure item. Note 8 of the financial statements discloses a detailed list of grants and subsidies paid/payable to various entities and clients. Grants, subsidies and client payment increased by $84 million. Significant to the increase were the following items:

- National partnership agreements established in 2008-09 totalling $46 million
- National Affordable Housing Agreement, $65 million, which replaces and is offset by decreases in the superseded Commonwealth State Housing Agreement of $63 million
- Supported Accommodation Assistance Program (SAAP) payments down $16 million to $16 million
- Tax equivalent regime payments up $20 million to $156 million
- Alternative care payments up $13 million to $35 million
- Commonwealth State/Territory Disability grants up $8 million to $116 million
- Children's payments up $6 million to $50 million
- Home and community care payments up $10 million to $106 million.

Funding to NGOs decreased by $13 million to $234 million. Funding arrangements with NGOs are not necessarily comparable from year to year. However, it should be noted that changes in administrative arrangements for SAAP resulted in the transfer of administrative and financial responsibility of the program to the SAHT. As a result, payments in this program are made directly to the SAHT who reflect related NGO payments in their financial statements.

Supplies, services and other expenses increased by $28 million to $201 million. Contributing to the increase were the following items:

- a devaluation of buildings recognised as an expense, $9 million
- brokerage care services up $10 million to $57 million.

Employee benefit expenses increased by $23 million to $418 million. As previously commented, a number of employees transferred to SSSA during 2008-09. As a result employee benefit expenses is not directly comparable to the 2007-08 amounts. However, of note, is the workers compensation expenses which increased by $5 million (32 percent) to $21 million. In 2008-09 DFC were advised by the Department of the Premier and Cabinet that a change in methodology for its actuarial assessment of DFC's workers compensation provision has meant that DFC were, for the first time, assessed as a separate portfolio from the other South Australian public sector agencies. As a result of this change and DFC's claims experience, there was a substantial re-estimation of workers compensation liability at 30 June 2009. (Reference should be made to Note 26.2)

Income

Commonwealth revenues decreased by $125 million to $155 million.

On 1 January 2009 new Federal-State funding arrangements were introduced. The arrangement consolidated a number of older arrangements into other categories. Under the new arrangements funding from the Commonwealth is made directly to a special deposit account administered by the Department of Treasury and Finance (DTF) rather than direct to DFC. Funds are subsequently transferred from DTF to DFC. As a result Commonwealth revenues are not comparable with the prior year.

Included within revenues from the SA Government is $175 million transferred from DTF relating to Commonwealth funding. Without the effect of this change in administrative arrangements, revenue from Commonwealth would have increased by $50 million, principally relating to increases in housing related funds passed on to SAHT.

Appropriations from SA Government increased by $221 million to $965 million due mainly to:

- $175 million due to changed Commonwealth funding arrangements
- $16 million increase in appropriations received for tax equivalent regime reimbursements
- $6.5 million increase in funding in relation to Commonwealth/State Disability Agreement negotiations
- $5.5 million additional appropriation funding for the Common Ground Low Cost Housing Project
- $9.5 million increase in funding to address demand for alternative care placements.

Net Result

The net result for 2008-09 was a deficit of $49 million, compared to a deficit of $11 million for 2007-08.

Contributing to the deficit were a number of non-operating items specific to the 2008-09 year, including:

- a devaluation of buildings recognised as an expense, $9 million
- additional tax equivalent payments of $5 million to the SAHT made in late June 2009 for which revenue was yet to be received from DTF
- increase in workers compensation provisions relating to changed actuarial assumption and methodology of $9.5 million. (Reference should be made to Note 26.2).
- increase in employee benefits liability relating to changed actuarial assumptions of $2.4 million. (Reference should be made to Note 24).

Statement of Financial Position

Assets

In 2009 non-current assets increased by $42 million (18 percent) due mainly to a revaluation of land and buildings as at 30 June 2009. The revaluation was based on an independent valuer's assessment of fair value in accordance with AASs. The valuation for sites without restrictions was based on fair value being the highest and best use of the site. For some of the more significant land controlled by DFC, fair value was considered by the valuer to be as a development site. As a result, for these sites land assets have experienced significant valuation increments. Conversely, associated building assets have experienced significant valuation decrements.

The respective impacts of the valuation were:

- an increment in land values of $64 million
- a decrement in building values of $19 million of which $10 million was reversed against the asset revaluation reserve and $9 million was expensed.

Liabilities

Current liabilities increased by $12 million due mainly to increases in employee benefits of $8 million, and provisions of $2 million.

Non-current liabilities increased by $10 million due mainly to an increase in provision for workers compensation of $8 million and provision for insurance of $1 million.

Equity

Total equity increased by $18 million due to the following:

- land and buildings revaluation resulting in an increase to the asset revaluation reserve of $53 million
- a State Government equity contribution of $15 million
- the net deficit of $49 million.

Statement of Cash Flows

The following table summarises the net cash flows since 2005-06.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(14)**	19	(12)	(4)
Investing	**(4)**	(4)	(4)	(2)
Financing	**13**	12	10	11
Change in cash	**(5)**	27	(6)	5
Cash at 30 June	**40**	45	18	24

The net cash outflows used in operating activities of $14 million are significantly less than the net deficit of $49 million. The main reasons for this difference are expensing of non-cash items as follows:

- A devaluation of buildings recognised as an expense, $9 million.
- Non-cash depreciation and amortisation expenses, $4 million.
- Increased provisions, $11 million.
- Increase in employee benefits, $9 million.

Refer to Note 33 of the financial statements.

The table also highlights that in 2009 there was a net cash inflow from financing activities of $13 million due to an equity contribution of $15 million received from the SA Government and cash outflows of $1.5 million relating to transfer of functions to SSSA.

Of DFC's cash balances, $5 million is held in DTF's Accrual Appropriation Excess Fund Account, which can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Current liabilities of $97 million exceed current assets of $65 million by $32 million. Further, DFC is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the funding arrangements. As at 30 June 2009 the value of unexpended funding commitments was $9 million. Refer to Note 16 of the financial statements for details of unexpended funding commitments.

Note 29.5 addresses liquidity risk. In reviewing this, consideration also needs to be given to the following:

- Current liabilities include employee benefits and provisions estimated to fall due within 12 months of balance date.

- Departmental appropriations are transferred monthly based on projected cash flows.

- Cash held by departments is subject to DTF's cash alignment policy.

Statement of Comprehensive Income for the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
EXPENSES:			
Employee benefit expenses	5	**418 003**	394 688
Supplies and services	6	**188 503**	169 071
Depreciation and amortisation	7	**3 835**	3 403
Grants, subsidies and client payments	8	**684 909**	600 678
Net loss from disposal of non-current assets	13	**-**	757
Other expenses	9	**8 993**	201
Total expenses		**1 304 243**	1 168 798
INCOME:			
Rent, fees and charges	10	**110 334**	109 066
Commonwealth revenues	11	**154 853**	280 157
Interest revenue	12	**52**	442
Net gain from disposal of non-current assets	13	**232**	-
Other revenues	14	**5 441**	8 043
Total income		**270 912**	397 708
NET COST OF PROVIDING SERVICES		**(1 033 331)**	(771 090)
REVENUES FROM SA GOVERNMENT:			
SA Government appropriation	15.1	**965 407**	744 035
Grants from SA Government agencies	15.2	**18 544**	16 080
Total revenue from SA Government		**983 951**	760 115
NET RESULT		**(49 380)**	(10 975)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation reserve		**53 164**	36 019
Total other comprehensive income		**53 164**	36 019
TOTAL COMPREHENSIVE RESULT		**3 784**	25 044

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position as at 30 June 2009

	Note	**2009 $'000**	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	17	**40 393**	44 929
Receivables	18	**24 096**	21 967
Inventories	19	**370**	347
Total current assets		**64 859**	67 243
NON-CURRENT ASSETS:			
Receivables	18	**13 828**	14 131
Property, plant and equipment	20	**253 224**	210 240
Capital works in progress	21	**8 888**	8 822
Intangible assets	22	**304**	167
Total non-current assets		**276 244**	233 360
Total assets		**341 103**	300 603
CURRENT LIABILITIES:			
Payables	23	**33 503**	32 314
Employee benefits	24	**53 211**	45 226
Provisions	26	**9 745**	7 451
Other liabilities	27	**220**	115
Total current liabilities		**96 679**	85 106
NON-CURRENT LIABILITIES:			
Payables	23	**4 827**	4 519
Employee benefits	24	**47 690**	46 954
Borrowings	25	**285**	285
Provisions	26	**28 195**	19 023
Total non-current liabilities		**80 997**	70 781
Total liabilities		**177 676**	155 887
NET ASSETS		**163 427**	144 716
EQUITY:			
Contributed capital	28	**41 888**	26 991
Asset revaluation reserve	28	**101 918**	49 452
Retained earnings	28	**19 621**	68 273
TOTAL EQUITY		**163 427**	144 716

Total equity is attributable to the SA Government as owner

	Note
Unexpended funding commitments	16
Unrecognised contractual commitments	30
Contingent assets and liabilities	32

Statement of Changes in Equity
for the year ended 30 June 2009

	Note	Contributed capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007		19 474	13 433	83 461	116 368
Restated balance at 30 June 2007		19 474	13 433	83 461	116 368
Net result for 2007-08		-	-	(10 975)	(10 975)
Gain on revaluation of property, plant and equipment during 2007-08		-	36 019	-	36 019
Total comprehensive result for 2007-08		19 474	49 452	72 486	141 412
Transactions with SA Government as owner					
Equity contribution received		7 517	-	-	7 517
Net assets transferred as a result of an administrative restructure	31	-	-	(4 213)	(4 213)
Balance at 30 June 2008	28	26 991	49 452	68 273	144 716
Restated balance at 30 June 2008		26 991	49 452	68 273	144 716
Net result for 2008-09		-	-	(49 380)	(49 380)
Gain on revaluation of property, plant and equipment during 2008-09		-	53 164	-	53 164
Transfer to retained earnings of increment realised on sale of land and buildings		-	(698)	698	-
Total comprehensive result for 2008-09		-	52 466	(48 682)	3 784
Transactions with SA Government as owner					
Equity contribution received		14 897	-	-	14 897
Net assets transferred as a result of an administrative restructure	31	-	-	30	30
Balance at 30 June 2009	28	**41 888**	**101 918**	**19 621**	**163 427**

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

Statement of Cash Flows
for the year ended 30 June 2009

	Note	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(395 577)**	(382 502)
Supplies and services		**(186 586)**	(161 349)
Grants and subsidies		**(685 152)**	(600 037)
GST payments on purchases		**(42 431)**	(40 655)
GST paid to the ATO		**(1 599)**	(2 190)
Cash used in operations		**(1 311 345)**	(1 186 733)
CASH INFLOWS:			
Fees and charges		**107 807**	107 048
Receipts from Commonwealth		**154 853**	287 477
Interest received		**52**	446
GST receipts on receivables		**1 512**	2 171
GST recovered from the ATO		**43 313**	40 189
Other receipts		**5 471**	8 089
Cash generated from operations		**313 008**	445 420
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**965 407**	744 035
Grants from SA Government agencies		**18 544**	16 080
Cash generated from SA Government		**983 951**	760 115
Net cash (used in) provided by operating activities	33	**(14 386)**	18 802
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment (including WIP)		**(7 517)**	(4 301)
Cash used in investing activities		**(7 517)**	(4 301)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**4 017**	44
Cash generated from investing activities		**4 017**	44
Net cash used in investing activities		**(3 500)**	(4 257)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for restructuring activities		**(1 547)**	-
Cash used in financing activities		**(1 547)**	-
CASH INFLOWS:			
Capital contributions from Government		**14 897**	7 517
Proceeds from restructuring activities		**-**	4 371
Cash generated from financing activities		**14 897**	11 888
Net cash provided by financing activities		**13 350**	11 888
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4 536)**	26 433
CASH AND CASH EQUIVALENTS AT 1 JULY		**44 929**	18 496
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	**40 393**	44 929
Non-cash transactions	17		

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009

(Activities - refer Note 4)	1		2		3	
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**26 340**	25 608	**39 510**	38 413	**172 292**	167 621
Supplies and services	**-**	-	**-**	22	**115 048**	100 233
Depreciation and amortisation	**-**	-	**-**	-	**1 659**	1 510
Grants, subsidies and client payments	**111 372**	85 728	**229 537**	186 208	**252 405**	255 310
Net loss from disposal of non-current assets	**-**	-	**-**	-	**-**	3
Other expenses	**-**	-	**-**	-	**37**	124
Total expenses	**137 712**	111 336	**269 047**	224 643	**541 441**	524 801
INCOME:						
Rent, fees and charges	**26 244**	23 775	**39 366**	35 774	**16 714**	18 335
Commonwealth revenues	**10 873**	21 503	**35 189**	69 499	**107 775**	188 057
Interest revenue	**-**	-	**-**	-	**(5)**	364
Net (loss) gain from disposal of non-current assets	**-**	-	**-**	-	**(39)**	-
Other revenues	**-**	-	**-**	-	**5 022**	3 967
Total income	**37 117**	45 278	**74 555**	105 273	**129 467**	210 723
NET COST OF PROVIDING SERVICES	**(100 595)**	(66 058)	**(194 492)**	(119 370)	**(411 974)**	(314 078)
REVENUES FROM SA GOVERNMENT						
SA Government appropriations	**32 568**	-	**59 521**	-	**83 114**	51 267
Grants from SA Government agencies	**396**	386	**2 889**	2 819	**11 074**	9 918
NET RESULT	**(67 631)**	(65 672)	**(132 082)**	(116 551)	**(317 786)**	(252 893)

(Activities - refer Note 4)	4		5	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**119 532**	114 438	**56 220**	45 432
Supplies and services	**30 741**	28 061	**42 714**	40 755
Depreciation and amortisation	**1 241**	1 043	**935**	850
Grants, subsidies and client payments	**91 595**	73 432	**-**	-
Net loss from disposal of non-current assets	**-**	749	**-**	5
Other expenses	**-**	-	**8 956**	77
Total expenses	**243 109**	217 723	**108 825**	87 119
INCOME:				
Rent, fees and charges	**2 019**	2 295	**25 991**	28 887
Commonwealth revenues	**1 016**	1 098	**-**	-
Interest revenue	**-**	-	**57**	78
Net (loss) gain from disposal of non-current assets	**(8)**	-	**279**	-
Other revenues	**273**	336	**146**	3 740
Total income	**3 300**	3 729	**26 473**	32 705
NET COST OF PROVIDING SERVICES	**(239 809)**	(213 994)	**(82 352)**	(54 414)
REVENUES FROM SA GOVERNMENT				
SA Government appropriations	**-**	-	**-**	-
Grants from SA Government agencies	**3 496**	2 899	**689**	58
NET RESULT	**(236 313)**	(211 095)	**(81 663)**	(54 356)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009 (continued)

(Activities - refer Note 4)	General/Not attributable		Total	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**4 109**	3 176	**418 003**	394 688
Supplies and services	**-**	-	**188 503**	169 071
Depreciation and amortisation	**-**	-	**3 835**	3 403
Grants, subsidies and client payments	**-**	-	**684 909**	600 678
Net loss from disposal of non-current assets	**-**	-	**-**	757
Other expenses	**-**	-	**8 993**	201
Total expenses	**4 109**	3 176	**1 304 243**	1 168 798
INCOME:				
Rent, fees and charges	**-**	-	**110 334**	109 066
Commonwealth revenues	**-**	-	**154 853**	280 157
Interest revenue	**-**	-	**52**	442
Net (loss) gain from disposal of non-current assets	**-**	-	**232**	-
Other revenues	**-**	-	**5 441**	8 043
Total income	**-**	-	**270 912**	397 708
NET COST OF PROVIDING SERVICES	**(4 109)**	(3 176)	**(1 033 331)**	(771 090)
REVENUES FROM SA GOVERNMENT				
SA Government appropriations	**790 204**	692 768	**965 407**	744 035
Grants from SA Government agencies	**-**	-	**18 544**	16 080
NET RESULT	**786 095**	689 592	**(49 380)**	(10 975)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

(Activities - refer Note 4)	1		2		3	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
ASSETS:						
Cash and cash equivalents*	**-**	-	**-**	-	**-**	-
Receivables*	**-**	-	**-**	-	**-**	-
Inventories	**-**	-	**-**	-	**286**	280
Property, plant and equipment	**-**	-	**-**	-	**107 591**	79 126
Capital works in progress	**-**	-	**-**	-	**613**	434
Intangible assets	**-**	-	**-**	-	**187**	167
Total assets	**-**	-	**-**	-	**108 677**	80 007
LIABILITIES:						
Payables*	**-**	-	**-**	-	**-**	-
Employee benefits*	**-**	-	**-**	-	**-**	-
Borrowings	**-**	-	**-**	-	**-**	-
Provisions*	**-**	-	**-**	-	**-**	-
Other liabilities*	**-**	-	**-**	-	**-**	-
Total liabilities	**-**	-	**-**	-	**-**	-

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009 (continued)

(Activities - refer Note 4)	4		5	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
ASSETS:				
Cash and cash equivalents*	**-**	-	**-**	-
Receivables*	**-**	-	**-**	-
Inventories	**84**	67	**-**	-
Property, plant and equipment	**107 262**	96 822	**38 371**	34 292
Capital works in progress	**7 886**	6 154	**389**	2 234
Intangible assets	**117**	-	**-**	-
Total assets	**115 349**	103 043	**38 760**	36 526
LIABILITIES:				
Payables*	**-**	-	**-**	-
Employee benefits*	**-**	-	**-**	-
Borrowings	**285**	285	**-**	-
Provisions*	**-**	-	**-**	-
Other liabilities*	**-**	-	**-**	-
Total liabilities	**285**	285	**-**	-

(Activities - refer Note 4)	General/Non-attributable		Total	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
ASSETS:				
Cash and cash equivalents*	**40 393**	44 929	**40 393**	44 929
Receivables*	**37 924**	36 098	**37 924**	36 098
Inventories	**-**	-	**370**	347
Property, plant and equipment	**-**	-	**253 224**	210 240
Capital works in progress	**-**	-	**8 888**	8 822
Intangible assets	**-**	-	**304**	167
Total assets	**78 317**	81 027	**341 103**	300 603
LIABILITIES:				
Payables*	**38 330**	36 833	**38 330**	36 833
Employee benefits*	**100 901**	92 180	**100 901**	92 180
Borrowings	**-**	-	**285**	285
Provisions*	**37 940**	26 474	**37 940**	26 474
Other liabilities*	**220**	115	**220**	115
Total liabilities	**177 391**	155 602	**177 676**	155 887

* The Department considers that significant expenditure associated with accounting system modifications and other associated expenditure required to reliably capture these disaggregated asset and disaggregated liability information is not justifiable. The Department has therefore chosen not to disclose these assets and liabilities by disaggregated activity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and functions of the Department

The Department for Families and Communities (the Department) was established on 5 March 2004 and commenced operating on 1 July 2004, to provide a clear focus for the SA Government's goals for the protection of our children and young people and to help build the resilience and wellbeing of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in SA. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right
- everybody shares the responsibility for building and supporting stronger families and communities
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability. The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT). The financial affairs of the SAHT does not form part of the Department's financial statements.

1.1 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as significant and disclosed in a separate set of financial statements.

1.2 Administrative restructures

2008-09

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings that can be redirected to community facing services. SA Government Agencies' business services are transferring to Shared Services SA (SSSA) in a series of transition programs known as Tranches. During the 2008-09 financial year the following services were transitioned from the Department to the Department of Treasury and Finance for SSSA:

- Tranche 1 Group 1 - accounts payable, accounts receivable and systems administration - proclaimed 24 July 2008, transfer effective 28 July 2008.
- Tranche 1 Group 2 - payroll services - proclaimed 16 October 2008, transfer effective 20 October 2008.
- Tranche 2 Group 1 - financial accounting, taxation services and masterpiece technical support - proclaimed 4 June 2009, transfer effective 9 June 2009.

The service level agreement for the provision of a shared financial service between the Department and the Department of Health (DH), which was hosted by the Department, ceased on Friday 5 June 2009. The financial accounting function and staff members performing the function returned to the Department of Health effective from 8 June 2009. The other financial services covered by the Service Level Agreement were transitioned to SSSA over the course of the financial year.

2007-08

Julia Farr Services (JFS) was incorporated under the *SA Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for JFS to the Minister for Disability. On 28 June 2007, the Governor proclaimed to dissolve JFS in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2007, the Board of JFS dissolved and the assets and liabilities of JFS were transferred, assigned or vested in the Minister for Disability.

Metropolitan Domiciliary Care (MDC) was incorporated under the *SA Health Commission Act 1976*. On 28 June 2007, the Governor proclaimed to dissolve MDC in accordance with reforms to the governance arrangements for the management of the provision of health services. Effective 1 July 2007, the Board of MDC dissolved and the assets and liabilities of MDC were transferred, assigned or vested in the Minister for Ageing (refer Note 31).

Prior to 1 July 2007, the DH provided general accounting, financial accounting, financial systems and accounting policy advice to the Department. The provision of these services was covered by a service level agreement. Effective 1 July 2007, the Department became the provider of these services to DH. A revised service level agreement reflects that the Department is now the provider. The liabilities transferred from DH are employee liabilities.

1.3 Funding for the Department

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rent, fees, and charges, and dividends from portfolio housing agencies.

2. Summary of significant accounting policies

2.1 Basis of accounting

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

Statement of compliance

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

The preparation of the financial statements also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in these financial statements:

- Revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.

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

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

- Board/Committee member and remuneration information, where a Board or Committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The existence of the Department and the ongoing delivery of current programs and services is dependent on Government policy and on continuing appropriations by Parliament.

Early adoption of accounting standards

Except for the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10, which the Department has early-adopted, AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2009. These are outlined in Note 3. The Department has assessed the impact of new and amended standards and interpretations and considers that there will be no impact on the accounting policies or financial statements of the Department.

2.2 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. The administered financial statements include assets, liabilities, income and expenses which the Department administers on behalf of the SA Government, but does not control. A separate set of financial statements is produced as these administered items are regarded as significant in respect to the Department's operations.

2.3 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific accounting standards and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg preparation of a single Statement of Comprehensive Income.

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

2.4 Rounding

All amounts in the financial statements and accompanying notes 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 and the Emergency Services levy. Income, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST incurred by the Department as a purchaser is not recoverable from the ATO, GST is recognised as part of the cost of acquisition of an asset or is part of an item of expenses
- where appropriate, receivables and payables are stated with the amount of GST included.

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

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

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

2.6 Income

Income is recognised in the Department's Statement of Comprehensive Income when and only when the flow of economic benefits has occurred and can be reliably measured.

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard or where offsetting reflects the substance of the transaction or other event.

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

The following are specific recognition criteria:

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

Net gain on 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 carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Grant contributions received
Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or the Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The contribution is recognised as an asset and income when the Department obtains control of the contributions or the right to receive the contribution.

Revenues from SA Government
Appropriations are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their 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 Department and the contribution is recorded as contributed equity.

2.7 Expenses

Expenses are recognised in the Department's Statement of Comprehensive Income when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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

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

The following are specific recognition criteria:

Employee benefit expenses
Employee benefit expenses includes all cost related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

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, while depreciation is applied to physical assets such as property, plant and equipment.

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

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

Land and non-current assets held-for-sale are not depreciated.

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

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line	5-50
Leasehold improvements	Straight-line	Life of lease
Computing equipment	Straight-line	3
Motor vehicles	Straight-line	4-5
Other plant and equipment	Straight-line	2-18
Intangible assets - computer software	Straight-line	3

Grants paid
Grants that are paid to other entities by the Department for general assistance or a particular purpose, may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations (NGOs) or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Payments to SA Government
Payments to 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. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be recovered after more than 12 months.

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

Cash and cash equivalents
Cash and cash equivalents as reported in the Statement of Financial Position includes 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 which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Statement of Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the 2008-09 and 2007-08 financial years the Department was not required to transfer any of its cash balance to the Consolidated Account.

Receivables
Receivables include amounts receivable from goods and services, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services to other agencies and to the public. Receivables are due within 30 days after the issue of an invoice or otherwise in accordance with relevant contractual arrangements.

Receivables (continued)
Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable, after all reasonable attempts have been made to collect the debt, are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debts.

Inventories
Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in, first-out method.

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.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. Where 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.

The Department capitalises all non-current physical assets with a value of $10 000 or greater.

Assets held-for-sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell. Works in progress are projects physically incomplete as at reporting date.

Revaluation of non-current assets
In accordance with APF III, all non-current physical assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or groups of assets is performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is equal to or greater than three years.

The Department revalues its land and buildings every three years. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, when 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 as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation 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 assets.

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

The Department has undertaken a revaluation of its land and buildings as at 30 June 2009.

The Department's land and buildings were revalued using the fair value methodology as at 30 June 2009, based on an independent valuation performed by:

- Martin Burns - MBA, BAppSc Property Resource Management, AAPI, CPV, Liquid Pacific Limited.

During the 2007-08 financial year, management considered that prices had materially appreciated and a desktop valuation was carried out on land and buildings by a professional valuer. The fair value valuation methodology was used by the valuer in conducting the desktop valuation. As a result of the desktop valuation, asset values were adjusted to be in accordance with the fair value as determined by the valuer. The professional valuer engaged to perform the independent desktop valuation as at 30 June 2008 was Martin Burns - MBA, BAppSc, Property Resource Management, AAPI, CPV, Liquid Pacific Limited.

Assets deemed to be at fair value
For those classes of non-current assets where an independent revaluation has not been undertaken, the criteria which require revaluation within APF III have not been met. For these classes of non-current assets, written down cost is deemed to be at fair value as determined by APF III.

Asset classes where written down cost is deemed to be fair value, include:

- Leasehold improvements
- Buildings and improvements in progress (WIP)
- Computing equipment
- Motor vehicles
- Other plant and equipment

Impairment
All non-current assets are tested for an 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. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset has been revalued. For revalued assets an impairment loss is offset against the revaluation reserve for that same class of assets, to the extent that the impairment loss does not exceed the amount in the asset revaluation reserve for that class of asset.

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 acquisition or internal development of software is capitalised when the expenditure meets the asset definition criteria (identifiability, control, and the existence of future economic benefits) and the asset recognition criteria (probability of future economic benefit and cost can be reliably measured) and when the amount of expenditure is greater than or equal to $10 000.

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

Investment property
Investment properties represent properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the assets will flow to the Department.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of other income, on a straight line basis over the lease term.

At 30 June 2009 there were only investment properties reported in the administered financial statements.

2.10 Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Department has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

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

Accrued expenses represents 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 processed or received.

All payables are measured at their nominal amount and are unsecured. Invoices are normally settled promptly in accordance with TI 11 after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

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

- *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 is estimated to be less than the annual entitlement of sick leave.

- *Annual leave*
  The liability for annual leave is measured as the amount unpaid at the reporting date at remuneration rates expected to be paid at reporting date. The annual leave liability is expected to be paid within 12 months and is measured at the undiscounted nominal amount.

- *Long service leave*
  The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd, in accordance with AASB 119. The following assumptions were made by the actuary when performing the assessment:

  - Salary increases of 2.5 percent per annum (3.5 percent per annum) based on the current enterprise bargaining agreement and short-term forecasts.

  - Discounting of 5.5 percent per annum (6.4 percent per annum) based on the gross 10 year Commonwealth Government bonds rate at 30 June 2009.

Accrued salaries and wages
The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Provisions
- *Insurance*
  The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the South Australian Financing Authority, SAICORP Division for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

  The provision for public liability and professional indemnity insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reserve (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

  In respect of IBNR and IBNER claims, an amount of $50 000 has been set aside for both the Public Liability Claims and Professional Indemnity Claims. These amounts are based upon historical claims activity, with allowance for prudential margins and are reviewed annually. Public liability and professional indemnity claims relating to periods prior to the restructuring of the former Department of Human Services, effective 1 July 2004, are the responsibility of DH.

  The provision for property claims represents outstanding payments for incurred damage to property. An allowance is also included for IBNER claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

- *Workers compensation*
  The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department is responsible for the management of workers rehabilitation and compensation.

  The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2009 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2009. For the 2008-09 financial year the Department has reflected a workers compensation provision of $35.69 million ($25.49 million), (Refer Note 26.2).

  The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Leases
The Department has not entered into any finance leases. The Department has entered into some operating leases.

- *Operating leases*
  In respect of operating leases, the lessor retains substantially the entire risks and benefits incidental to the ownership of the leased items.

  Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

2.11 Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. New and revised accounting standards and policies

2008-09
New and amended AASs that are applicable for the first time in 2008-09:

Restructure of administrative arrangements
In accordance with the revised AASB 1004, the Department records restructures of administrative arrangements as transactions with owners in their capacity as owners rather than recording these events as a revenue/expense item.

Other
The Department has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

In accordance with the new accounting standard AASB 1052, the amounts of assets and liabilities reliably attributable to each activity has been disclosed.

Issued or amended but not yet effective
Except for the amendments to AASB 101, which the Department 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 Department for the period ending 30 June 2009. 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 statements of the Department.

2007-08
Accounting error - change in accounting for employee related services recoverable
Employees of the Department provide services to the SAHT. The Department recognises as a liability, all employee entitlements for these staff. As these amounts are recoverable from SAHT, a receivable is also recognised. In past years, the Department has recognised a receivable for only part of the value of entitlements for employees assigned to the SAHT. The SAHT is however, meeting the full employment costs of these employees. The accounting treatment of the recovery of employee entitlement was reviewed in 2007-08. As a result it was established that prior year financial reports had understated the receivable by $8.44 million. In accordance with AASB 108 this error has been corrected by increasing the value of the receivable in the current and prior year to reflect the full cost of Departmental employees providing services to the SAHT. Opening equity has also been adjusted to reflect the impact of the correction on earlier years.

4. Activities of the Department
In achieving its objective the Department provides a range of services classified into the following activities:

Activity 1: Affordable Housing Choices and Communities that Prosper
To work with others to expand and improve affordable housing choices across the State and help build communities that prosper.

This activity encompasses the management of grants for housing services to low income households. This includes grants for the provision of private rental services, public, Aboriginal and community managed housing, the funding and regulation of community housing.

Activity 2: High Need Housing
To develop and implement better high need housing and service responses for people at risk or in high need.

This activity encompasses the management of grants for housing services for people in high need and supported accommodation assistance for people in crisis as well as providing other services and programs related to high need housing.

Activity 3: ***Independence and Community Connection***

To enable people to take charge of their lives and ensure community connection opportunities are available to all.

This activity encompasses the provision of services related to supporting people with disabilities to live in the community, managing grants and providing advice to the Minister for the promotion of health, social wellbeing and quality of life of the community, implementing strategies and programs to promote the participation and support of older people in the community.

Activity 4: ***Keeping them Safe***

Providing services that ensure children, young people and families are safe, supported and able to participate in opportunities coming from the State's growing prosperity. This encompasses family support and child safety, alternative care for those children and young people not able to be cared for by their own families, case management and support for young people under the guardianship of the Minister, adoption and post-adoption services, youth justice services as directed by the Youth Court (eg remand, bail orders, community service orders, supervision and home detention), provision of secure care facilities for young people who are detained, emergency financial assistance, domestic violence assistance, anti-poverty preventative programs and recovery services for victims of disasters. Provision of services to Aboriginal children, young people, families and communities to strengthen capacity. Working in partnership with Aboriginal communities to address family violence. Provision of services to Aboriginal children, young people and families to reduce the over-representation of Aboriginal children and young people in care and protection and youth justice activities.

Activity 5: ***Effective Business Practices***

To establish and maintain business practices that support delivery of South Australia's Strategic Plan as it affects the portfolio, including ensuring timely decision making, improving administrative efficiency, increasing customer satisfaction and promoting sustainability.

To continue to build a capable, creative workforce that engages with our customers and partners to ensure effective service provision. Innovation and continuous improvement will be fostered and our infrastructure will support connected services.

5. Employee benefit expenses

	2009	2008
	$'000	$'000
Salaries and wages	**298 104**	282 901
Long service leave	**12 668**	9 209
Annual leave	**30 118**	28 941
Superannuation	**34 848**	31 971
Workers compensation	**20 623**	15 631
Payroll tax	**18 987**	19 457
Other employee related expenses	**2 655**	6 578
Total employee benefit expenses	**418 003**	394 688

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2009** **Number**	2008 Number
$100 000 - $109 999	**89**	77
$110 000 - $119 999	**35**	33
$120 000 - $129 999	**9**	15
$130 000 - $139 999	**16**	10
$140 000 - $149 999	**12**	5
$150 000 - $159 999	**4**	4
$160 000 - $169 999	**6**	9
$170 000 - $179 999	**4**	2
$180 000 - $189 999	**6**	2
$190 000 - $199 999	**3**	5
$200 000 - $209 999	**1**	2
$210 000 - $219 999	**2**	-
$220 000 - $229 999	**-**	5
$230 000 - $239 999	**2**	-
$250 000 - $259 999	**1**	-
$270 000 - $279 999	**-**	1
$330 000 - $339 999	**-**	1
Total number of employees	**190**	171

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 $23.6 million ($21.7 million).

6. Supplies and services

	2009 $'000	2008 $'000
Accommodation and property related	**28 380**	27 213
Advertising and promotions	**582**	380
Brokerage care services	**56 787**	46 882
Business services	**3 569**	2 125
Client related expenses	**4 137**	4 408
Communication and computing	**21 386**	18 373
Contractors and agency staff	**20 445**	19 931
Consultants	**551**	650
Drug and medical supplies	**4 324**	4 615
Insurance	**2 477**	1 196
Interpreter and translator fees	**66**	85
Managed payments	**3 250**	3 097
Minor equipment	**8 927**	7 950
Motor vehicles	**12 225**	10 534
Printing, stationery, postage and periodicals	**3 634**	3 604
Seminars, courses and training	**1 929**	1 911
Travel and accommodation	**2 599**	2 367
Other administration	**12 933**	13 387
Total supplies and services (excluding audit fees)	**188 201**	168 708
Audit fees paid/payable to the Auditor-General's Department*	**302**	363
Total audit fees	**302**	363
Total supplies and services (including audit fees)	**188 503**	169 071
Supplies and services provided by entities within SA Government:		
Accommodation and property related	**19 467**	18 460
Advertising and promotions	**16**	7
Brokerage care services	**316**	107
Business services	**3 566**	1 972
Client related expenses	**255**	176
Communication and computing	**5 635**	6 669
Contractors and agency staff	**1 991**	679
Drugs and medical supplies	**35**	-
Insurance	**1 169**	988
Interpreter and translator fees	**44**	1
Managed payments	**2 872**	2 751
Minor equipment	**138**	229
Motor vehicles	**11 607**	9 895
Printing, stationery, postage and periodicals	**64**	106
Seminars, courses and training	**127**	71
Travel and accommodation	**12**	11
Other administration	**1 349**	1 636
Total supplies and services - SA Government (excluding audit fees)	**48 663**	43 758
Audit fees paid/payable to the Auditor-General's Department*	**302**	363
Total audit fees - SA Government	**302**	363
Total supplies and services - SA Government (including audit fees)	**48 965**	44 121

* Other services: There were no other services provided by the Auditor-General's Department.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2009 Number	2009 $'000	2008 Number	2008 $'000
Below $10 000	**2**	**11**	7	40
Between $10 000 - $50 000	**9**	**238**	9	227
Above $50 000	**3**	**302**	5	383
Total paid/payable to consultants engaged	**14**	**551**	21	650

7. Depreciation and amortisation

	2009 $'000	2008 $'000
Depreciation:		
Buildings and improvements	**2 193**	1 868
Computing equipment	**174**	148
Motor vehicles	**30**	5
ILEP equipment	**721**	597
Other plant and equipment	**243**	235
Total depreciation	**3 361**	2 853

		2009	2008
7.	**Depreciation and amortisation (continued)**		
	Amortisation:	**$'000**	$'000
	Leasehold improvements	**419**	493
	Computer software	**55**	57
	Total amortisation	**474**	550
	Total depreciation and amortisation	**3 835**	3 403

8.	**Grants, subsidies and client payments by program**		
	Aboriginal Community Benefit grants	**1 125**	1 477
	Commonwealth State Territory Disability Agreement grants	**115 824**	107 984
	Community Connect grants	**379**	2 227
	Supported Accommodation	**2 705**	2 738
	Commonwealth State Housing Agreement (CSHA)	**49 914**	112 837
	Julia Farr Association Establish grant	**-**	1 396
	National Affordable Housing Agreement (NAHA)	**65 272**	-
	National Partnership Agreement on Social Housing	**14 954**	-
	National Partnership Agreement on Remote Indigenous Housing	**9 245**	-
	National Partnership Agreement on the Nation Building and Jobs Plan	**19 487**	-
	Supported Residential Facility	**7 109**	8 176
	Common Ground SAHT	**5 500**	6 800
	Tax equivalents regime	**155 750**	135 766
	Supported Accommodation Assistance Program (SAAP)	**15 685**	31 314
	Social Inclusion Funding	**3 285**	1 017
	National Partnership Agreement on Homelessness	**1 817**	-
	Home and Community Care	**106 415**	96 418
	Children's payments	**50 086**	44 015
	Family and Community Development	**11 152**	8 610
	Alternative care	**35 422**	22 030
	Emergency financial assistance	**3 413**	3 559
	Concessions - SA Spectacle Scheme	**776**	880
	Aged Care grants (formerly Funds for Seniors)	**4 158**	4 487
	Parks Community Centre (Local Government grant)	**2 019**	1 969
	Strathmont Centre Devolution grant	**2 805**	5 465
	Other	**612**	1 513
	Total grants, subsidies and client payments	**684 909**	600 678

Housing related grant expenditure may not be directly comparative due to changes in arrangements from the Commonwealth State Housing Agreement to the National Affordable Housing Agreement and new national partnership agreements.

Grants, subsidies and client payments by program paid/payable within SA Government:	2009 $'000	2008 $'000
Aboriginal Community Benefit grants	**18**	40
Commonwealth State Territory Disability Agreement grants	**1 898**	1 962
Community Connect grants	**-**	1 109
Supported Accommodation (CSHA)	**-**	-
Commonwealth State Housing Agreement (CHSA)	**49 914**	103 688
National Affordable Housing Agreement (NAHA)	**65 272**	-
National Partnership Agreement on Social Housing	**14 954**	-
National Partnership Agreement on Remote Indigenous Housing	**9 245**	-
National Partnership Agreement on the Nation Building and Jobs Plan	**19 487**	-
Supported Residential Facility	**433**	892
Common ground SAHT	**5 500**	6 800
Tax equivalents regime	**155 750**	135 766
Supported Accommodation Assistance Program (SAAP)	**15 685**	1 214
Social inclusion funding	**3 285**	1 017
National Partnership Agreement on Homelessness	**1 817**	-
Home and Community Care	**30 133**	25 829
Children's payments	**556**	904
Alternative care	**-**	935
Emergency financial assistance	**1 139**	35
Aged Care grants (formerly Funds for Seniors)	**834**	2 395
Strathmont Centre Devolution Grant	**2 763**	5 465
Other	**264**	671
Total grants, subsidies and client payments - SA Government	**378 947**	288 722

8. Grants, subsidies and client payments by program (continued)	Note	2009	2008
Grants and subsidies by recipient type:		$'000	$'000
SA Government entities		**345 646**	256 754
SA Health units		**31 606**	31 029
NGOs	8.1	**234 428**	247 289
Local government		**18 207**	17 044
Universities		**583**	542
Grant - Commonwealth and other State/Territory Governments		**164**	446
Concessions - SA Spectacle Scheme		**776**	880
Children's payments and emergency financial assistance* - government		**1 695**	939
Children's payments and Emergency financial assistance* - non-government.		**51 804**	45 755
Total grants, subsidies and client payments		**684 909**	600 678

* Small payments are made to numerous providers in accordance with the departmental client payment policies.

8.1 Funding to NGOs

	2009	2008
Minda Inc	**32 762**	31 332
Royal District Nursing	**17 073**	16 696
Anglicare SA	**12 610**	11 387
Community Accommodation Respite Agency	**11 946**	11 321
NOVITA Children's Services Inc	**9 962**	14 318
Life Without Barriers	**7 742**	3 519
Aged Care and Housing Group Inc	**6 437**	5 465
Baptist Community Services	**5 826**	2 969
Leveda Inc	**5 629**	4 592
Spastic Centres of SA Inc	**5 292**	4 770
Aboriginal Family Support	**5 401**	3 909
Centacare Catholic Family	**4 605**	6 885
Anglican Community Care Inc	**4 040**	3 968
Southern Junction Community	**3 990**	3 673
Resthaven Inc	**3 692**	2 884
Life's for Living	**3 642**	2 620
Uniting Care Wesley Adelaide Inc	**3 520**	5 211
Uniting Care Wesley Port Adelaide Inc	**3 507**	4 918
Royal Society for the Blind	**2 312**	2 427
Orana	**2 214**	2 126
Helping Hand Aged Care	**2 195**	1 983
Meals on Wheels Inc	**2 011**	1 852
Community Living Options	**2 001**	1 646
Autism Association of SA Inc	**1 888**	1 928
Guide Dogs Association	**1 809**	1 573
Uniting Care Wesley Port Pirie Inc	**1 786**	2 723
Community Lifestyles Inc	**1 762**	1 734
Country Home Advocacy	**1 638**	1 339
Barkuma Inc	**1 576**	1 217
Catholic Diocese of Port Pirie	**1 514**	779
Bedford Industries	**1 445**	1 097
Masonic Homes Inc	**1 405**	974
Community Living for Disabled	**1 369**	1 375
Community Living and Support Services Inc	**1 359**	1 192
Paraquad SA (formerly The Paraplegic and Quadriplegic Association of SA Inc)	**1 356**	1 329
Aboriginal Prisoners and Offenders Support Services Inc	**1 349**	1 306
Individual Supported Accommodation Services	**1 321**	1 283
Hills Community Options	**1 311**	1 271
The Salvation Army (SA)	**1 282**	3 906
Aboriginal Elders and Community Care Services Inc	**1 236**	1 132
Northern Carer's Network Inc	**1 204**	1 109
Carers Assoc of SA Inc	**1 202**	1 360
Community Living Project Inc	**1 152**	1 118
Alzheimer's Association (SA)	**1 139**	952
Carer Support & Respite Centre	**1 135**	973
Lifestyle Assistance and Accommodation Service Inc	**1 103**	1 104
Alabricare (SA)	**1 069**	1 020
Italian Benevolent Foundation	**1 037**	931
Catherine House Inc	**758**	1 410
Julie Farr Association Inc	**-**	3 556
St Johns Youth Services Inc	**-**	1 560
Central Eastern Domestic	**-**	1 293
Other	**40 814**	54 274
Total funding to NGOs	**234 428**	247 289

8.1 Funding to NGOs (continued)

Payments to non-SA Government organisations, where total payments to an organisation are greater than $1 million are individually disclosed above.

Payments less than $1 million are in 'Other'. This excludes payments for Children's Payments and Emergency Financial Assistance.

In 2008-09 a change in administrative arrangements for SAAP resulted in the transfer of administrative and financial responsibility for the program to Housing SA. As the operations of Housing SA are separately reported in the financial statements of SAHT, SAAP grants to NGOs are not included in the 2008-09 totals for Note 8.1. This is the primary cause of the observed decrease in total funding to NGOs.

9. Other expenses

	2009 $'000	2008 $'000
Bad and doubtful debts	**(80)**	171
Transferred assets	**14**	30
Loss on revaluation of non-current assets	**9 059**	-
Total other expenses	**8 993**	201
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	**(55)**	(118)
Transferred assets	**14**	30
Total other expenses - SA Government	**(41)**	(88)

10. Rent, fees and charges received/receivable

	2009 $'000	2008 $'000
Employee services*	**65 610**	59 448
Insurance recoveries	**1 005**	1 593
Recoveries	**17 149**	18 101
Business services	**15 402**	18 439
Fees, fines and penalties	**484**	887
Rent	**743**	737
Patient and client fees	**9 941**	9 861
Total rent, fees and charges	**110 334**	109 066
Rent, fees and charges received/receivable from entities within SA Government:		
Employee services*	**65 610**	59 448
Insurance recoveries	**234**	909
Recoveries	**14 169**	12 365
Business services	**15 400**	17 024
Fees, fines and penalties	**174**	784
Rent	**658**	600
Total rent, fees and charges - SA Government	**96 245**	91 130

* Represents the recovery of costs for the provision of employee related services to Housing SA.

11. Commonwealth revenues

	2009 $'000	2008 $'000
Housing Assistance	**37 243**	73 739
Commonwealth State Disability Agreement	**45 707**	79 563
Home and Community Care	**53 160**	85 407
Supported Accommodation Assistance program	**8 820**	17 263
Aged Care Assessment program	**3 882**	6 316
FBT transitional compensation from ATO	**-**	10 434
Other	**6 041**	7 435
Total Commonwealth revenues	**154 853**	280 157

A change in the management of funding received from the Commonwealth Government has led to a reduction in revenues reported in this note. A significant proportion of this funding is now received by the Department of Treasury and Finance and provided to the Department as appropriation. Please refer also to Note 15.

12. Interest revenue

	2009 $'000	2008 $'000
Interest on funds held	**52**	442
Total interest revenue	**52**	442

13. Net gain (loss) from disposal of non-current and other assets

	2009 $'000	2008 $'000
Land and buildings:		
Proceeds from disposal	**4 001**	-
Net book value of assets disposed	**(3 735)**	(749)
Net gain (loss) from disposal of land and buildings	**266**	(749)

13. Net gain (loss) from disposal of non-current and other assets (continued)

	2009 $'000	2008 $'000
Plant and equipment:		
Proceeds from disposal	**16**	44
Net book value of assets disposed	**(50)**	(52)
Net loss from disposal of plant and equipment	**(34)**	(8)
Total assets:		
Total proceeds from disposal	**4 017**	44
Total value of assets disposed	**(3 785)**	(801)
Total net gain (loss) from disposal of assets	**232**	(757)

14. Other revenues

Other	**5 441**	8 043
Total other revenue	**5 441**	8 043
Other revenue received/receivable from entities within SA Government:		
Other	**702**	1 884
Total other revenue - SA Government	**702**	1 884

15. Revenues from SA Government

15.1 Revenue from SA Government appropriation

Appropriations from Consolidated Account pursuant to the *Appropriations Act*:		
General appropriation	**807 301**	607 990
Department of Treasury and Finance - contingency funds	**6 668**	692
Tax equivalent regime reimbursement - HomeStart Finance	**1 500**	1 250
Tax equivalent regime reimbursement - Housing SA	**149 938**	134 103
Total SA Government appropriations	**965 407**	744 035

15.2 Grants from SA Government agencies

Community Development Fund	**3 400**	3 413
Social inclusion	**4 829**	5 561
Other	**10 315**	7 106
Total grants from SA Government agencies	**18 544**	16 080
Total revenues from SA Government	**983 951**	760 115

Revenues from SA Government includes $175.2 million ($nil) in funds previously received directly from the Commonwealth Government. Please refer to Note 11.

16. Unexpended funding commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program.

As at 30 June 2009, the Department had outstanding funding commitments to the following programs:

	2009 $'000	2008 $'000
Home and Community Care Program	**3 448**	4 798
Residential Aged Care	**-**	2 000
Spectacle Concessions	**195**	-
Aged Care Assessment Program	**185**	404
Department for Health & Ageing - CDEP	**82**	-
Ceduna Family Homes Program	**75**	-
Community Care Innovation Fund	**49**	282
Post Care Services (AFIS)	**17**	17
CSHA Projects	**-**	3 515
Supported Accommodation Assistance Program	**-**	892
Water Remissions Funding	**-**	142
Social Inclusion Program	**-**	132
Gambler's Rehabilitation Fund - Anti Poverty Program	**37**	-
Tier 3 Invest Project - Social Inclusion Funding	**20**	-
Total operating	**4 108**	12 182

16. Unexpended funding commitments (continued)	**2009**	2008
	$'000	$'000
Families SA - Residential Care Units	**2 252**	2 805
Reorganisation of services relating to Independent and Community Connection	**-**	1 000
Connected Service Centre - Mount Gambier	**697**	-
DFC Accommodation	**703**	-
Strathmont Centre	**669**	284
Case Management System	**228**	3 572
Youth Training Centre Sustainment	**200**	575
ICT Desktop Replacement	**200**	-
Barkuma	**110**	-
Tregenza Avenue - Office redevelopment	**42**	3 984
SACOSS Children Facility	**-**	310
Youth Detention Centre Project Team	**-**	121
Families SA Accommodation	**-**	111
Child Protection Review - Staff Accommodation	**-**	48
Total capital	**5 101**	12 810
Total unexpended funding commitments	**9 209**	24 992

17. Cash and cash equivalents		
Special deposit account with the Treasurer	**39 417**	44 291
Advance account	**335**	329
Other deposits	**635**	295
Cash on hand	**6**	14
Total cash and cash equivalents	**40 393**	44 929

Cash deposits are recognised at their nominal amounts.

Other Deposits include $402 000 ($211 000) held by the Commissioner for Charitable Funds.

Deposits with the Treasurer

Includes funds of $4.915 million ($77 000) held in the Accrual Appropriation Excess Fund 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.

Non-cash financing and investing activities

Restructuring of administered arrangements.

The service level agreement for the provision of a shared financial service between the Department and DH, which was hosted by the Department, ceased and the financial accounting function and staff members performing the function returned to DH.

The restructure resulted in net assets of ($30 000) being transferred to the DH. Details with respect to the restructuring of administrative arrangement are set out in Note 31. This restructure is not reflected in the Statement of Cash Flows.

18. Receivables	**2009**	2008
Current:	**$'000**	$'000
Debtors	**9 401**	10 184
Allowance for doubtful debts	**(139)**	(282)
Employee related services recoverable	**11 669**	8 165
Overpaid salaries	**171**	136
Sundry	**180**	124
Prepayments	**129**	160
GST receivable	**2 685**	3 480
Total current receivables	**24 096**	21 967
Non-current:		
Sundry	**503**	569
Employee related services recoverable	**13 325**	13 562
Total non-current receivables	**13 828**	14 131
Total receivables	**37 924**	36 098
Receivables from SA Government entities:		
Debtors	**5 257**	7 983
Allowance for doubtful debts	**(8)**	(65)
Employee related services recoverable	**24 994**	21 727
Total receivables - SA Government	**30 243**	29 645

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 allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity and analysis of receivables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

Bad and doubtful debts
The Department has recognised a bad and doubtful debt expense of ($80 000) in the Statement of Comprehensive Income .

Movement in allowance for doubtful debts
The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)	**2009**	2008
	$'000	$'000
Carrying amount at 1 July	**282**	399
Transfer from administrative restructure	**-**	79
Decrease in the allowance	**(80)**	(19)
Amounts written off	**(63)**	(394)
Amounts recovered during the year	**-**	217
Carrying amount at 30 June	**139**	282

19. Inventories

Drug supplies	**45**	57
Stores	**325**	290
Total inventories	**370**	347

20. Property, plant and equipment

Land and buildings:		
Vacant land (fair value)	**6 570**	5 312
Site land (fair value)	**200 476**	139 581
Buildings and improvements (fair value)	**49 376**	71 697
Accumulated depreciation - buildings and improvements	**(11 040)**	(11 050)
Total land and buildings	**245 382**	205 540
Leasehold improvements:		
Leasehold improvements at cost (deemed fair value)	**10 929**	7 916
Accumulated amortisation - leasehold improvements	**(7 076)**	(6 657)
Total leasehold improvements	**3 853**	1 259
Plant and equipment:		
Computing equipment at cost (deemed fair value)	**656**	778
Accumulated depreciation - computing equipment at cost	**(472)**	(486)
Motor vehicles at cost (deemed fair value)	**300**	320
Accumulated depreciation - motor vehicles at cost	**(190)**	(230)
ILEP equipment at cost (deemed fair value)	**4 810**	3 506
Accumulated depreciation - ILEP equipment at cost	**(2 639)**	(1 876)
Other plant and equipment at cost (deemed fair value)	**3 476**	3 332
Accumulated depreciation - other plant and equipment at cost	**(1 952)**	(1 903)
Total plant and equipment	**3 989**	3 441
Total property, plant and equipment at valuation (fair value)	**256 422**	216 590
Total property, plant and equipment at cost (deemed fair value)	**20 171**	15 852
Total accumulated amortisation	**(7 076)**	(6 657)
Total accumulated depreciation	**(16 293)**	(15 545)
Total property, plant and equipment	**253 224**	210 240

Valuation of land and buildings
Refer Note 2.9 above.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2009.

20.1 Reconciliation of land, buildings and leasehold improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2008-09.

2009	**Vacant land $'000**	**Site land $'000**	**Bldgs & improve-ments $'000**	**Leasehold improve-ments $'000**	**Total Land, bldgs & leasehold improve-ments $'000**
Carrying amount at 1 July	**5 312**	**139 581**	**60 647**	**1 259**	**206 799**
Purchases	**-**	**1 281**	**-**	**355**	**1 636**
Disposals	**-**	**(2 830)**	**(905)**	**-**	**(3 735)**
Revaluation increment (decrement)	**1 258**	**62 254**	**(19 407)**	**-**	**44 105**
Depreciation and amortisation for the year	**-**	**-**	**(2 193)**	**(419)**	**(2 612)**
Transfers from works in progress	**-**	**190**	**194**	**2 658**	**3 042**
Carrying amount at 30 June	**6 570**	**200 476**	**38 336**	**3 853**	**249 235**

20.2 Reconciliation of plant and equipment

The following table shows the movement of Plant and Equipment during 2008-09.

2009	**Computing equipment $'000**	**Motor vehicles $'000**	**ILEP equipment $'000**	**Other plant & equipment $'000**	**Total Plant & equipment $'000**
Carrying amount at 1 July	**292**	**90**	**1 630**	**1 429**	**3 441**
Purchases	**66**	**50**	**1 262**	**185**	**1 563**
Disposals	**-**	**-**	**-**	**(50)**	**(50)**
Depreciation and amortisation for the year	**(174)**	**(30)**	**(721)**	**(243)**	**(1 168)**
Transfers from works in progress	**-**	**-**	**-**	**269**	**269**
Other movements	**-**	**-**	**-**	**(66)**	**(66)**
Carrying amount at 30 June	**184**	**110**	**2 171**	**1 524**	**3 989**

21. Capital works in progress

	2009 $'000	2008 $'000
Buildings and Improvements in progress at cost (deemed fair value)	**8 888**	8 822
Total capital works in progress	**8 888**	8 822

Reconciliation of capital works in progress

The following table shows the movement of capital works in progress during 2008-09:

	Total capital works in progress $'000
Carrying amount at 1 July	**8 822**
Purchases	**4 295**
Transfers to completed works	**(3 428)**
WIP adjustments	**(801)**
Carrying amount at 30 June	**8 888**

22. Intangible assets

	2009 $'000	2008 $'000
Computer software	**359**	167
Accumulated amortisation - computer software	**(55)**	-
Total intangible assets	**304**	167

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2008-09:

	Total intangibles assets $'000
Carrying amount at 1 July	**167**
Purchases	**75**
Transfers from works in progress	**117**
Amortisation for the year	**(55)**
Carrying amount at 30 June	**304**

23.	Payables		2009	2008
	Current:		**$'000**	$'000
	Creditors		**14 940**	14 725
	Grants to SAHT - tax equivalent regime		**5 286**	5 591
	Other accrued expenses		**4 320**	4 000
	Employee benefit on-costs		**8 891**	7 739
	Other		**66**	259
	Total current payables		**33 503**	32 314
	Non-current:			
	Grants to NGOs		**32**	621
	Employee benefit on-costs		**4 795**	3 898
	Total non-current payables		**4 827**	4 519
	Total payables		**38 330**	36 833
	Payables to SA Government entities:			
	Creditors		**4 984**	2 575
	Grants to SAHT - tax equivalent regime		**5 286**	5 591
	Other accrued expenses		**43**	404
	Employee benefit on-costs		**13 626**	11 550
	Total payables - SA Government entities		**23 939**	20 120

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.

Maturity and analysis of payables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

24.	Employee benefits		2009	2008
	Current:		**$'000**	$'000
	Annual leave		**30 831**	27 931
	Long service leave		**13 056**	9 046
	Accrued salaries and wages		**9 324**	8 249
	Total current employee benefits		**53 211**	45 226
	Non-current:			
	Long service leave		**47 690**	46 954
	Total non-current employee benefits		**47 690**	46 954
	Total employee benefits		**100 901**	92 180

The total current and non-current employee expenses (ie aggregate employee benefit plus related on costs) for 2009 is $62.10 million ($52.97 million) and $52.49 million ($50.85 million) respectively.

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer (Australia) Pty Ltd. A salary inflation rate of 2.5 percent per annum was used in 2009, a decrease of 1 percent from the 2008 rate used of 3.5 percent. A discount rate of 5.5 percent per annum, based on the gross 10 year Commonwealth Government bonds rate at 30 June 2009 was used, a decrease of 0.9 percent from the discount rate used as at 30 June 2008 of 6.4 percent. The proportion of leave taken in service for 2009 was assumed to be 45 percent in accordance with the factor set out in APS 5.24, while the factor prescribed in 2008 was 35 percent. The net financial effect of the changes in assumptions in the current financial year is an increase of $2.355 million.

25.	Borrowings		2009	2008
	Non-current	Note	**$'000**	$'000
	Advance - Treasury Imprest Account		**285**	285
	Total non-current borrowings - SA Government		**285**	285
	Total borrowings		**285**	285

26.	Provisions			
	Current:			
	Insurance	26.1	**672**	316
	Workers compensation	26.2	**9 073**	7 135
	Total current provisions		**9 745**	7 451
	Non-current:			
	Insurance	26.1	**1 577**	669
	Workers compensation	26.2	**26 618**	18 354
	Total non-current provisions		**28 195**	19 023
	Total provisions		**37 940**	26 474

26. 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 Relations Division of the Department of the Premier and Cabinet.

26.1 Reconciliation of insurance

The following table shows the movement of insurance during 2008-09.

	Public liability $'000	**Property $'000**	**2009 Total $'000**	Public liability $'000	Property $'000	2008 Total $'000
Carrying amount as at 1 July	**933**	**52**	**985**	805	23	828
Increase to provision due to new claims	**5 705**	**11**	**5 716**	297	51	348
Reduction due to payments	**(55)**	**5**	**(50)**	(90)	(31)	(121)
Net revision of estimates	**(4 387)**	**(15)**	**(4 402)**	(79)	9	(70)
Carrying amount at 30 June	**2 196**	**53**	**2 249**	933	52	985

26.2 Reconciliation of workers compensation

The following table shows the movement of workers compensation:	**2009 $'000**	2008 $'000
Carrying amount at 1 July	**25 489**	16 554
Transfers in at 1 July	**-**	7 142
Increase to provision due to revision of estimates*	**21 631**	14 948
Reduction due to payments	**(11 429)**	(13 155)
Carrying amount at 30 June	**35 691**	25 489

* The Department's claims experience was analysed separately for the first time at 30 June 2009. Previously the Department was analysed as part of the Remaining Agencies group, with an allocation made to the Department. The change in methodology and separate valuation of the Department resulted in an increase in the liability for the Department of $8.6 million. The changes in valuations assumptions led to an increase of $900 000.

27. Other liabilities

	2009	2008
Current:	**$'000**	$'000
Unclaimed monies	**145**	115
Unearned revenue	**75**	-
Total current other liabilities	**220**	115
Total other liabilities	**220**	115
Other liabilities with SA Government entities:		
Unearned revenue	**75**	-
Total other liabilities - SA Government	**75**	-

28. Equity

Contributed capital	**41 888**	26 991
Retained earnings	**19 621**	68 273
Asset revaluation reserve	**101 918**	49 452
Total equity	**163 427**	144 716

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. Relevant amounts are transferred to retained earnings when an asset is derecognised.

29. Financial instruments

29.1 Categorisation of financial instruments

		2009		2008	
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	17, 33	**40 393**	**40 393**	44 929	44 929
Receivables	18	**35 239**	**35 239**	32 618	32 618
Total financial assets		**75 632**	**75 632**	77 547	77 547
Financial liabilities					
Payables	23	**38 330**	**38 330**	36 833	36 833
Borrowings	25	**285**	**285**	285	285
Total financial liabilities		**38 615**	**38 615**	37 118	37 118

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.2 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department.

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets

29.3 Ageing analysis of financial assets

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

	Past due by			
2009	**Overdue for less than 30 days $'000**	**Overdue for 30-60 days $'000**	**Overdue for more than 60 days $'000**	**Total $'000**
Not Impaired:				
Receivables	**393**	**457**	**196**	**1 046**
Impaired:				
Receivables	**(2)**	**(2)**	**(133)**	**(137)**
	391	**455**	**63**	**909**
2008				
Not Impaired:				
Receivables	1 013	156	477	1 646
Impaired:				
Receivables	-	-	(282)	(282)
	1 013	156	195	1 364

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.4 Maturity analysis of financial assets and liabilities

		Contractual maturity		
2009	**Carrying amount $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets:				
Cash and cash equivalents	**40 393**	**40 393**	**-**	**-**
Receivables	**35 239**	**21 411**	**6 499**	**7 329**
Total financial assets	**75 632**	**61 804**	**6 499**	**7 329**
Financial liabilities:				
Payables	**38 330**	**33 503**	**4 827**	**-**
Borrowings	**285**	**-**	**-**	**285**
Total financial liabilities	**38 615**	**33 503**	**4 827**	**285**
2008				
Financial assets:				
Cash and cash equivalents	44 929	44 929	-	-
Receivables	32 618	18 487	5 994	8 137
Total financial assets	77 547	63 416	5 994	8 137
Financial liabilities:				
Payables	36 833	32 314	4 519	-
Borrowings	285	-	-	285
Total financial liabilities	37 118	32 314	4 519	285

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

29.5 Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and programs delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

30. Unrecognised contractual commitments

30.1 Capital commitments

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

	2009 $'000	2008 $'000
Within one year	**5 781**	5 822
Later than one year and not later than five years	**-**	9 255
Total capital commitments	**5 781**	15 077

Included in capital expenditure commitments above is $526 000 ($1.37 million) which is the GST component of the capital expenditure commitments.

30.2 Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2009 $'000	2008 $'000
Within one year	**15 963**	15 059
Later than one year and not later than five years	**50 446**	31 835
Later than five years	**61 906**	41 719
Total operating lease commitments (including GST)	**128 315**	88 613

Included in the operating lease commitments above is $11.67 million ($8.06 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominantly paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

30.3 Other expenditure commitments

Other expenditure contracted at the reporting date, but not recognised as liabilities in the financial report, are as follows:	2009 $'000	2008 $'000
Not later than one year	**1 050**	-
Total other expenditure commitments	**1 050**	-

Other expenditure commitments reflect a transfer of property to Barkuma Incorporated.

31. Transferred functions

31.1 Transferred functions for 2008-09

Transfers out of the Department

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings that can be redirected to community facing services. SA Government Agencies' business services are transferring to SSSA in a series of transition programs known as Tranches. During the 2008-09 financial year the following services were transitioned from the Department to the Department of Treasury and Finance for SSSA:

- Tranche 1 Group 1 - accounts payable, accounts receivable and systems administration - proclaimed 24 July 2008, transfer effective 28 July 2008.
- Tranche 1 Group 2 - payroll services - proclaimed 16 October 2008, transfer effective 20 October 2008.
- Tranche 2 Group 1 - financial accounting, taxation services and Masterpiece technical support - proclaimed 4 June 2009, transfer effective 9 June 2009.

The service level agreement for the provision of a shared financial service between the Department and DH, which was hosted by the Department, ceased on Friday 5 June 2009. The financial accounting function and staff members performing the function returned to DH effective from 8 June 2009. The other financial services covered by the service level agreement were transitioned to SSSA over the course of the financial year.

2008-09	**Tranche 1 Group 1 SSSA $'000**	**Tranche 1 Group 2 SSSA $'000**	**Tranche 2 Group 1 SSSA $'000**	**DH $'000**	**Total $'000**
Cash	**804**	**453**	**290**	**-**	**1 547**
Total assets	**804**	**453**	**290**	**-**	**1 547**
Current liabilities:					
Payables	**31**	**23**	**14**	**2**	**70**
Employee benefits	**228**	**168**	**98**	**15**	**509**
Total current liabilities	**259**	**191**	**112**	**17**	**579**

Transfers out of the Department (continued)

2008-09	**Tranche 1 Group 1 SSSA $'000**	**Tranche 1 Group 2 SSSA $'000**	**Tranche 2 Group 1 SSSA $'000**	**DH $'000**	**Total $'000**
Non-current liabilities:					
Payables	**45**	**22**	**15**	**1**	**83**
Employee benefits	**500**	**240**	**163**	**12**	**915**
Total non-current liabilities	**545**	**262**	**178**	**13**	**998**
Total liabilities	**804**	**453**	**290**	**30**	**1 577**
Total net assets transferred	**-**	**-**	**-**	**(30)**	**(30)**

31.2 Transferred functions for 2007-08

Transfers into the Department

Metropolitan Domiciliary Care (MDC) was incorporated under the *SA Health Commission Act 1976*. On 28 June 2007, the Governor proclaimed to dissolve MDC in accordance with reforms to the governance arrangements for the management of the provision of health services. Effective 1 July 2007, the Board of MDC dissolved and the assets and liabilities of MDC were transferred, assigned or vested in the Minister for Ageing.

Julia Farr Services (JFS) was incorporated under the *SA Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for JFS to the Minister for Disability. On 28 June 2007, the Governor proclaimed to dissolve JFS in accordance with reforms to the governance arrangements for the management of the provision of disability services. Effective 1 July 2007, the Board of JFS dissolved and the assets and liabilities of JFS were transferred, assigned or vested in the Minister for Disability.

Prior to 1 July 2007, DH provided general accounting, financial accounting, financial systems and accounting policy advice to the Department. The provision of these services was covered by a service level agreement. Effective 1 July 2007, the Department became the provider of these services to DH and relevant staff were transferred from DH to the Department. The Chief Executive of DH and the Chief Executive of the Department approved the transfers in accordance with the requirements of the PSM Act. A revised service level agreement reflects that the Department is now the service provider. The liabilities transferred from DH are employee liabilities.

2007-08	MDC $'000	JFS $'000	DH $'000	Total $'000
Assets	18 876	5 963	-	24 839
Liabilities	15 478	13 017	557	29 052
Net assets	3 398	(7 054)	(557)	(4 213)
Decrease in net assets due to transfer into the Department				(4 213)

32. Contingent assets and liabilities

The Department does not have any known contingent assets and liabilities.

33. Cash flow reconciliations

	2009	2008
Reconciliation of cash and cash equivalents at 30 June as per:	**$'000**	$'000
Statement of Cash Flows	**40 393**	44 929
Statement of Financial Position	**40 393**	44 929
Reconciliation of net cash (used in) provided by operating activities to net cost of providing services:		
Net cash (used in) provided by operating activities	**(14 386)**	18 802
Revenues from SA Government	**(965 407)**	(744 035)
Grants from SA Government agencies	**(18 544)**	(16 080)
	(998 337)	(741 313)
Add (Less): Non-cash items:		
Depreciation	**(3 361)**	(2 853)
Amortisation	**(474)**	(550)
Assets transferred	**(14)**	(30)
Gain/loss from disposal of non-current assets	**232**	(757)
Revaluation decrements	**(9 059)**	-
Bad and doubtful debts	**80**	(171)
WIP Adjustment	**(801)**	(129)
Changes in assets and liabilities:		
Increase (Decrease) in receivables	**1 746**	(10 097)
Increase (Decrease) in inventories	**23**	(93)
Increase in payables and provisions	**(13 116)**	(10 328)
Increase in employee benefits	**(10 145)**	(4 765)
Increase in other liabilities	**(105)**	(4)
Net cost of providing services	**(1 033 331)**	(771 090)

34. Remuneration of Directors and related party disclosure

There are various Committees, forums, groups, panels and Councils that have been created to assist the Department in meeting its objectives. In addition, there are Committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by the Department of Treasury and Finance.

All members of the Board/Committees, including those who may have resigned or their term had expired during the financial year, are listed below:

Aboriginal Ethics and Standards Group

Sandy Miller
Brian Butler
Josephine Judge-Rigney
Marjory Tripp
Harold Stewart
Gayle Rankine

Adoption Board

Margaret Foster
Meredith Ducaine
Cynthia Beare
Rod Squires
Mary White
Olga Deboar
Nicole Brewer
Claire Simmons

Child Death and Serious Injury Review Committee

Brian Butler
Nigel Stewart
Alison Tucker
Dymphna Eszenyi
Dianne Gursansky
Samantha Laubsch
Roger Byard
Linda Dore
Diana Hetzel
Christopher Shakes
John Venditto
Fiona Ward
Helen Wighton

Charitable and Social Welfare Board (Community Benefit SA) 2009

Declan Andrews
Christina Birch
Mark Henley
Michelle Jones

Council for the Care of Children

Fiona Arney
Peter Bicknell
Jane Chapman
Jayne Lehmann
Mellita Kimber
Joslene Mazel
Christopher Robinson
Kaye Colmer
Daryle Rigney
Emily Rozee
Diana Hetzel
Simon Schrapel
Anthony Sherbon

Ministerial Advisory Board on Ageing

Pat Mickan
Brian Butler
Janice Rigney
Rosemary Crowley
Ken Coventry
Joan Stone
Theodora Papadopoulos
Patricia Greethead
Graeme Hugo
Gerard McEwen
Dana Vukovich
Graham Strathern
Josephine Balde

Minister's Disability Advisory Council

Katharine Annear
Jackie Beard
Mikaila Crotty
Silvana Gant
Michelle Hagarty
Lorna Hallahan
Evdokia Kalaitzidis
Neil Lillecrapp
Gaelle Mellis
Sandra Miller
Michael Taggart

Risk Management and Audit Committee

Jamie Dreckow
Mark Harris
Michael J B Evans
Mary Patetsos
Liz Durward
Geoff Lamshed
Joe Ullianich
Peter Bull
Dennis Huxley
David Caudrey
Jane Pickering

State Emergency Relief Fund

Suzanne Carman
Veronica Faggotter
Barry Grear
Neil Martinson
Raina Nechvoglod
Rodney Schutz
Philip Sims
Joe Ullianich
Triada Vesotsky

34. Remuneration of Directors and related party disclosure (continued)

Supported Residential Facilities Advisory Committee

Shaunee Fox	Helen Wright (Deputy)
Phillip Beddall	Ann Irving (Deputy)
Jane Chapman	Kevin Duke
Angela Wang	Debra Petrys
Anne Megaw (Deputy)	Monika Baker
Peter Heysen	Susan Wilkes
Sue Whitington	Natasha Miliotis
Michael Livori	Penelope Richardson
Joyce Yeomans (Deputy)	Paul Nikolettos
Kirin Moat	

Deputies listed may or may not have attended a Committee meeting during the financial year.

Total income received, or due to be receivable by members was $98 000 ($101 000).

The numbers of members whose income from the entity falls within the following bands are:	**2009 Number**	2008 Number
$0	**41**	46
$1 - $9 999	**59**	61
$10 000 - $19 999	**2**	-
Total	**102**	107

In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for Board, Committee or Forum duties during the financial year.

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were $6000 ($6000).

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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.

35. Events after balance date

There are no known events after balance date that affect this general purpose financial report in a material manner.

36. Administered items

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with the APF II, separate consolidated administered financial statements and Notes to the accounts have been prepared.

37. Residential aged care sector reporting

The former JFS was an approved provider of residential aged care (RAC) with 62 places licensed by the Commonwealth Department of Health and Ageing. Effective 1 July 2007, the Governor proclaimed the dissolution of JFS and all assets and liabilities vested in or held by JFS were transferred or assigned to or vested in, the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust and the Minister for Disability has been appointed as trustee. The Trust assets are administered but not controlled by the Department, hence they are not included in the accounts of the Department.

The former Intellectual Disability Services Council (IDSC) was also an approved provider of residential aged care with 32 places licensed by the Commonwealth Department of Health and Aging. On 29 June 2006 the Governor proclaimed to dissolve IDSC in association with reforms to the governance arrangements within the SA Government with respect to the management of the provision of disability services. Effective 1 July 2006, the Board of IDSC dissolved and the assets and liabilities of IDSC were transferred, assigned or were vested in the Minister for Disability.

Statement of Comprehensive Income for the year ended 30 June 2009

	RAC - JFS	**RAC - IDSC**	**Non-RAC**	**2009**
Commonwealth Aged Care Provider ID	**1021**	**3051**		**Total**
	$'000	**$'000**	**$'000**	**$'000**
Expenses:				
Employee benefit expenses	**3 777**	**3 264**	**410 962**	**418 003**
Supplies and services	**2 632**	**710**	**185 161**	**188 503**
Depreciation and amortisation	**1**	**135**	**3 699**	**3 835**
Grants, subsidies and client payments	**-**	**-**	**684 909**	**684 909**
Other expenses	**-**	**-**	**8 993**	**8 993**
Total expenses	**6 410**	**4 109**	**1 293 724**	**1 304 243**

Statement of Comprehensive Income for the year ended 30 June 2009 (continued)

Commonwealth Aged Care Provider ID	RAC - JFS 1021 $'000	RAC - IDSC 3051 $'000	Non-RAC $'000	2009 Total $'000
Income:				
Rent, fees and charges	1 090	623	108 621	110 334
Commonwealth revenues	1 423	1 597	151 833	154 853
Interest revenue	-	-	52	52
Net gain from disposal of non-current assets	-	-	232	232
Other revenues	-	-	5 441	5 441
Total income	2 513	2 220	266 179	270 912
Net cost of providing services	(3 897)	(1 889)	(1 027 545)	(1 033 331)
Revenues from SA Government:				
Revenues from SA Government	-	-	965 407	965 407
Grants from SA Government agencies	-	-	18 544	18 544
Total revenue from SA Government	-	-	983 951	983 951
Net result	(3 897)	(1 889)	(43 594)	(49 380)

Statement of Financial Position as at 30 June 2009

Commonwealth Aged Care Provider ID	RAC - JFS 1021 $'000	RAC - IDSC 3051 $'000	Non-RAC $'000	2009 Total $'000
Current assets:				
Cash and cash equivalents*	-	-	40 393	40 393
Receivables	19	12	24 065	24 096
Inventories	-	-	370	370
Total current assets	19	12	64 828	64 859
Non-current assets:				
Receivables	5	6	13 817	13 828
Property, plant and equipment	-	9 602	243 622	253 224
Capital works in progress	-	-	8 888	8 888
Intangible assets	-	-	304	304
Total non-current assets	5	9 608	266 631	276 244
Total assets	24	9 620	331 459	341 103
Current liabilities:				
Payables	130	108	33 265	33 503
Employee benefits	417	383	52 411	53 211
Provisions	88	96	9 561	9 745
Other liabilities	-	-	220	220
Total current liabilities	635	587	95 457	96 679
Non-current liabilities:				
Payables	40	39	4 748	4 827
Employee benefits	443	432	46 815	47 690
Borrowings	-	-	285	285
Provisions	255	279	27 661	28 195
Total non-current liabilities	738	750	79 509	80 997
Total liabilities	1 373	1 337	174 966	177 676
Net assets	(1 349)	8 283	156 493	163 427

* Cash deficits in residential aged care are funded by contributions from the SA Government.

Statement of Comprehensive Income for the year ended 30 June 2008

Commonwealth Aged Care Provider ID	RAC - JFS 1021 $'000	RAC - IDSC 3051 $'000	Non-RAC $'000	2008 Total $'000
Expenses:				
Employee benefit expenses	3 275	2 934	388 479	394 688
Supplies and services	2 486	496	166 089	169 071
Depreciation and amortisation	4	115	3 284	3 403
Grants, subsidies and client payments	-	-	600 678	600 678
Net loss from disposal of non-current assets	(1)	-	758	757
Other expenses	1	1	199	201
Total expenses	5 765	3 546	1 159 487	1 168 798

Statement of Comprehensive Income for the year ended 30 June 2008 (continued)

	RAC - JFS	RAC - IDSC	Non-RAC	2008 Total
Commonwealth Aged Care Provider ID	1021	3051		
	$'000	$'000	$'000	$'000
Income:				
Rent, fees and charges	1 088	593	107 385	109 066
Commonwealth revenues	1 728	1 581	276 848	280 157
Interest revenue	-	-	442	442
Other revenues	-	-	8 043	8 043
Total income	2 816	2 174	392 718	397 708
Net cost of providing services	(2 949)	(1 372)	(766 769)	(771 090)
Revenues from SA Government:				
Revenues from SA Government	-	-	744 035	744 035
Grants from SA Government agencies	-	-	16 080	16 080
Total revenue from SA Government	-	-	760 115	760 115
Net result	(2 949)	(1 372)	(6 654)	(10 975)

Statement of Financial Position as at 30 June 2008

	RAC - JFS	RAC - IDSC	Non-RAC	2008 Total
Commonwealth Aged Care Provider ID	1021	3051		
Current assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents*	-	-	44 929	44 929
Receivables	13	8	21 946	21 967
Inventories	-	-	347	347
Total current assets	13	8	67 222	67 243
Non-current assets:				
Receivables	-	-	14 131	14 131
Property, plant and equipment	18	10 188	200 034	210 240
Capital works in progress	-	-	8 822	8 822
Intangible assets	-	-	167	167
Total non-current assets	18	10 188	223 154	233 360
Total assets	31	10 196	290 376	300 603
Current liabilities:				
Payables	52	48	32 214	32 314
Employee benefits	338	312	44 576	45 226
Provisions	107	90	7 254	7 451
Other liabilities	-	-	115	115
Total current liabilities	497	450	84 159	85 106
Non-current liabilities:				
Payables	37	36	4 446	4 519
Employee benefits	401	386	46 167	46 954
Borrowings	-	-	285	285
Provisions	270	228	18 525	19 023
Total non-current liabilities	708	650	69 423	70 781
Total liabilities	1 205	1 100	153 582	155 887
Net assets	(1 174)	9 096	136 794	144 716

* Cash deficits in residential aged care are funded by contributions from the SA Government.

Statement of Administered Comprehensive Income
for the year ended 30 June 2009

	Note	**2009**	2008
		$'000	$'000
EXPENSES:			
Employee benefit expenses		**254**	266
Supplies and services		**1 137**	1 235
Grants, subsidies and client payments	A4	**139 707**	136 782
Depreciation and amortisation		**645**	645
Client trust fund payments		**11 082**	10 889
Total expenses		**152 825**	149 817
INCOME:			
Grants and contributions	A5	**11 444**	11 544
Rent, fees and charges	A6	**1 081**	506
Interest		**935**	1 016
Revaluation investment properties		**1 185**	-
Client trust fund receipts		**12 028**	11 823
Other income		**114**	113
Total income		**26 787**	25 002
Net cost of providing services		**(126 038)**	(124 815)
REVENUES FROM SA GOVERNMENT:			
Revenue from SA Government	A7	**136 881**	125 546
Total revenues from SA Government		**136 881**	125 546
Net result		**10 843**	731
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation reserve		**6 324**	-
Total other comprehensive income		**6 324**	-
TOTAL COMPREHENSIVE RESULT		**17 167**	731

Statement of Administered Financial Position as at 30 June 2009

	Note	2009 $'000	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents		**35 274**	23 393
Receivables		**1 300**	1 920
Total current assets		**36 574**	25 313
NON-CURRENT ASSETS:			
Property, plant and equipment	A9(1)	**33 031**	27 067
Investment property	A9(2)	**2 324**	1 139
Total non-current assets		**35 355**	28 206
Total assets		**71 929**	53 519
CURRENT LIABILITIES:			
Payables		**3 685**	2 424
Overdraft		**-**	20
Employee benefits		**14**	12
Provisions		**2**	2
Total current liabilities		**3 701**	2 458
Total liabilities		**3 701**	2 458
NET ASSETS		**68 228**	51 061
EQUITY:			
Retained earnings		**42 520**	31 677
Asset revaluation reserve		**25 708**	19 384
TOTAL EQUITY		**68 228**	51 061

Statement of Administered Changes in Equity for the year ended 30 June 2009

	Contributed capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	-	-	15 106	15 106
Restated balance at 30 June 2007	-	-	15 106	15 106
Net result for 2007-08	-	-	731	731
Total comprehensive result for 2007-08	-	-	731	731
Transactions with SA Government as owner:				
Net assets received from an administrative restructure	-	19 384	15 840	35 224
Balance at 30 June 2008	-	19 384	31 677	51 061
Restated balance at 30 June 2008	-	19 384	31 677	51 061
Net result for 2008-09	-	-	10 843	10 843
Gain on revaluation of property, plant and equipment during 2008-09	-	6 324	-	6 324
Total comprehensive result for 2008-09	-	6 324	10 843	17 167
Transactions with SA Government as owner	-	-	-	-
Balance at 30 June 2009	**-**	**25 708**	**42 520**	**68 228**

Statement of Administered Cash Flows for the year ended 30 June 2009

	Note	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(252)**	(263)
Concessions		**(113 656)**	(111 543)
Other grants, subsidies and client payments		**(24 776)**	(23 370)
Supplies and services		**(1 149)**	(1 279)
Client trust fund payments		**(11 082)**	(10 889)
Cash used in operations		**(150 915)**	(147 344)
CASH INFLOWS:			
Receipts from SA Government		**136 881**	125 546
Rent, fees and charges		**950**	2
Grants and contributions		**12 216**	9 815
Interest received		**935**	546
Client trust fund receipts		**12 028**	12 293
Other receipts		**91**	445
Cash generated by operations		**163 101**	148 647
Net cash provided by operating activities	A10	**12 186**	1 303
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(285)**	-
Proceeds from sale of property, plant and equipment		**-**	3 900
Net cash (used in) provided by investing activities		**(285)**	3 900
CASH FLOWS FROM FINANCING ACTIVITIES:			
Restructuring activities		**-**	2 473
Cash overdraft		**(20)**	1
Net cash (used in) provided by financing activities		**(20)**	2 474
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11 881**	7 677
CASH AND CASH EQUIVALENTS AT 1 JULY		**23 393**	15 716
CASH AND CASH EQUIVALENTS AT 30 JUNE		**35 274**	23 393

Schedule of Expenses and Income attributable to Administered Activities for the year ended 30 June 2009

(Activities - Refer Note A3)	1		2		3	
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**10**	22	**1**	-
Supplies and services	**927**	968	**182**	176	**22**	88
Grants, subsidies and client payments	**5 331**	5 319	**3 760**	3 856	**378**	-
Depreciation and amortisation expense	**-**	-	**-**	-	**645**	645
Client trust fund payments	**-**	-	**-**	-	**-**	-
Total expenses	**6 258**	6 287	**3 952**	4 054	**1 046**	733
INCOME:						
Grants and contributions	**5 845**	5 345	**4 000**	4 000	**-**	-
Rent, fees and charges	**90**	32	**42**	63	**325**	411
Interest revenues	**78**	127	**-**	-	**388**	414
Revaluation investment properties	**-**	-	**-**	-	**1 185**	-
Client trust fund receipts	**-**	-	**-**	-	**-**	-
Other income	**112**	110	**-**	-	**-**	-
Total income	**6 125**	5 614	**4 042**	4 063	**1 898**	825
NET COST OF PROVIDING SERVICES	**(133)**	(673)	**90**	9	**852**	92
REVENUES FROM SA GOVERNMENT:						
Revenue from SA Government	**-**	-	**-**	-	**-**	-
Total Revenue from SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**(133)**	(673)	**90**	9	**852**	92

(Activities - Refer Note A3)	4		5		6	
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**-**	-	**-**	-	**243**	244
Supplies and services	**-**	-	**-**	-	**-**	-
Grants, subsidies and client payments	**-**	-	**-**	-	**-**	-
Depreciation and amortisation expense	**-**	-	**-**	-	**-**	-
Client trust fund payments	**-**	-	**11 082**	10 889	**-**	-
Total expenses	**-**	-	**11 082**	10 889	**243**	244
INCOME:						
Grants and contributions	**-**	-	**-**	-	**241**	241
Rent, fees and charges	**-**	-	**-**	-	**-**	-
Interest revenues	**1**	1	**465**	470	**-**	-
Revaluation investment properties	**-**	-	**-**	-	**-**	-
Client trust fund receipts	**-**	-	**12 028**	11 823	**-**	-
Other income	**2**	2	**-**	-	**-**	-
Total income	**3**	3	**12 493**	12 293	**241**	241
NET COST OF PROVIDING SERVICES	**3**	3	**1 411**	1 404	**(2)**	(3)
REVENUES FROM SA GOVERNMENT:						
Revenue from SA Government	**-**	-	**-**	-	**-**	-
Total revenue from SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**3**	3	**1 411**	1 404	**(2)**	(3)

Schedule of Administered Expenses and Income attributable to Administered Activities for the year ended 30 June 2009 (continued)

(Activities - Refer Note A3)	7		8	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefits expenses	**-**	-	**-**	-
Supplies and services	**6**	3	**-**	-
Grants, subsidies and client payments	**114 931**	113 402	**15 307**	14 171
Depreciation and amortisation expense	**-**	-	**-**	-
Client trust fund payments	**-**	-	**-**	-
Total expenses	**114 937**	113 405	**15 307**	14 171
INCOME:				
Grants and contributions	**1 358**	1 958	**-**	-
Rent, fees and charges	**624**	-	**-**	-
Interest revenues	**-**	-	**-**	-
Revaluation investment properties	**-**	-	**-**	-
Client trust fund receipts	**-**	-	**-**	-
Other income	**-**	-	**-**	-
Total income	**1 982**	1 958	**-**	-
NET COST OF PROVIDING SERVICES	**(112 955)**	(111 447)	**(15 307)**	(14 171)
REVENUES FROM SA GOVERNMENT:				
Revenue from SA Government	**121 156**	110 272	**15 725**	15 274
Total revenue from SA Government	**121 156**	110 272	**15 725**	15 274
NET RESULT	**8 201**	(1 175)	**418**	1 103

(Activities - Refer Note A3)	9		Total	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefits expenses	**-**	-	**254**	266
Supplies and services	**-**	-	**1 137**	1 235
Grants, subsidies and client payments	**-**	34	**139 707**	136 782
Depreciation and amortisation expense	**-**	-	**645**	645
Client trust fund payments	**-**	-	**11 082**	10 889
Total expenses	**-**	34	**152 825**	149 817
INCOME:				
Grants and contributions	**-**	-	**11 444**	11 544
Rent, fees and charges	**-**	-	**1 081**	506
Interest revenues	**3**	4	**935**	1 016
Revaluation investment properties	**-**	-	**1 185**	-
Client trust fund receipts	**-**	-	**12 028**	11 823
Other income	**-**	1	**114**	113
Total income	**3**	5	**26 787**	25 002
NET COST OF PROVIDING SERVICES	**3**	(29)	**(126 038)**	(124 815)
REVENUES FROM SA GOVERNMENT:				
Revenue from SA Government	**-**	-	**136 881**	125 546
Total revenue from SA Government	**-**	-	**136 881**	125 546
NET RESULT	**3**	(29)	**10 843**	731

NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

A1. Background

The revenues, expenditures, assets and liabilities that were administered but not controlled by the Department for Families and Communities (the Department) have not been included in the financial statements of the Department. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with APF II, separate consolidated administered financial statements and Notes to the accounts have been prepared.

A2. Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in Note 2.

Cash and cash equivalents

Cash and cash equivalents as reported in the Statement of Administered Financial Position includes 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 which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Statement of Administered Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

A3. Activities of administered items

1. Gamblers Rehabilitation
2. Community Benefit SA Program
3. Home for Incurables Trust**
4. Supported Residential Facilities Indemnity Fund
5. Client Trust Accounts
6. Minister's Salary
7. Concessions
8. Community Service Obligations
9. State Emergency Relief Fund

** Effective 1 July 2007, the Minister for Disability became the Trustee of the Home for Incurables Trust by virtue of the vesting of assets and liabilities of the former Julia Farr Services (JFS). Separate financial information pertaining to the Home for Incurables Trust is in Note A12.

Client trust accounts

The Department acts as trustee of client trust accounts, relating to clients of the former Intellectual Disability Services Council Incorporated (IDSC) and the former JFS. The balance of the client trust accounts at 30 June 2009 was $9.66 million ($8.25 million). These amounts cannot be used by the Department to achieve its own objectives, and accordingly are not included in the controlled financial statements.

	2009	2008
	$'000	$'000
Opening Balance 1 July	**8 248**	6 844
Receipts	**12 493**	12 293
Expenses	**(11 082)**	(10 889)
Closing balance 30 June	**9 659**	8 248

A4. Grants, subsidies and client payments

Gamblers Rehabilitation	**5 331**	5 319
Charitable and Social Welfare	**3 760**	3 856
Home for Incurables Trust	**378**	-
Concessions	**114 931**	113 402
Community Service Obligations	**15 307**	14 171
State Emergency Relief fund	**-**	34
Total grants, subsidies and client payments	**139 707**	136 782

A5. Grants and contributions

Gamblers Rehabilitation	**5 845**	5 345
Charitable and Social Welfare	**4 000**	4 000
Concessions	**1 358**	1 958
Minister's Salary	**241**	241
Total grants and contributions	**11 444**	11 544

A6. Rent, fees and charges

Rental income	**325**	411
Other	**756**	95
Total rent, fees and charges	**1 081**	506

A7. Revenue from SA Government

Concessions	**121 156**	110 272
Community Service Obligations	**15 725**	15 274
Total revenue from SA Government	**136 881**	125 546

A8. Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following bands:	**2009 Number**	**2009 $'000**	2008 Number	2008 $'000
Below $10 000	**-**	**-**	-	-
Between $10 000 and $50 000	**-**	**-**	1	18
Above $50 000	**1**	**150**	-	-
Total paid/payable to the consultants engaged	**1**	**150**	1	18

A9. Property, plant and equipment

(1) Property, plant and equipment

	2009 $'000	2008 $'000
Land and buildings:		
Site land (fair value)	**13 100**	6 911
Buildings and improvements (fair value)	**19 931**	21 445
Accumulated depreciation - buildings and improvements	**-**	(1 289)
Total land and buildings	**33 031**	27 067

Reconciliation of land and buildings

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2008-09:

	Site land $'000	**Buildings and improvements $'000**	**Total land, buildings $'000**
Carrying amount at 1 July	**6 911**	**20 156**	**27 067**
Additions	**-**	**285**	**285**
Revaluation increment	**6 189**	**135**	**6 324**
Depreciation and amortisation for the year	**-**	**(645)**	**(645)**
Carrying amount at 30 June	**13 100**	**19 931**	**33 031**

(2) Investment property

	2009 $'000	2008 $'000
Investment building	**560**	560
Revaluation increment (decrement)	**269**	-
Fair value at 30 June	**829**	560
Investment land	**579**	579
Revaluation increment	**916**	-
Fair value at 30 June	**1 495**	579

(3) Non-current assets classified as held-for-sale

Administrative restructure	**-**	3 900
Settlement of the sale of the Ringwood land and building 31 August 2007	**-**	(3 900)
Carrying amount at 30 June	**-**	-

A10. Cash flow reconciliations

Reconciliation of cash at 30 June as per:		
Statement of Administered Cash Flows	**35 274**	23 393
Statement of Administered Financial Position	**35 274**	23 393

Reconciliation of net cash inflows (outflows) from operating activities to net (deficit) surplus

Net cash provided by operating activities	**12 186**	1 303
Add (Less): Non-cash items:		
Depreciation and amortisation	**(645)**	(645)
Revaluation of investment property	**1 185**	-
Changes in assets and liabilities:		
(Decrease) Increase in receivables	**(620)**	1 901
Decrease in other assets	**-**	(2 264)
(Decrease) Increase in payables	**(1 261)**	439
Increase in employee benefits	**(2)**	(3)
Net result	**10 843**	731

A11. Administered contingent assets and liabilities

The Department has no administered contingent assets and liabilities.

A12. Home for Incurables Trust

As part of wide ranging reforms relating to the delivery of disability services by the Department, effective 1 July 2007, JFS was dissolved and all assets and liabilities vested in or held by JFS were transferred or assigned or vested with the Minister for Disability. Certain assets held by the former JFS are subject to the terms and conditions of the Home for Incurables Trust. The original trust was established in June 1879 and was varied by the Supreme Court on 7 November 1997.

The former Board of JFS was trustee of the Home for Incurables Trust and on dissolution, the Board of JFS resolved to resign as trustee of the Home for Incurables Trust. The Minister for Disability is the trustee for the Home for Incurables Trust.

The role of the Trust is:

' …to apply property vested in it for the purpose of providing for persons whose ability to live independently is temporarily or permanently impaired or in jeopardy as a consequence of an acquired brain injury or degenerative neurological condition or a physical condition resulting in disability including but not limiting the foregoing in any way whatsoever, the following services and facilities;

(a) by providing for them, in a variety of residential, centre and community based settings
- *(i) accommodation*
- *(ii) nursing, medical, allied health and attendant care service*
- *(iii) personal and community support services*
- *(iv) technical and personal support aids*
- *(v) rehabilitation, respite and recreational services*
- *(vi) out patient and day care services*
- *(vii) measures and services to enhance their quality of life;*

(b) by providing facilities for education research with respect to such persons; and

(c) by providing any services and facilities ancillary or in relation to the foregoing or by providing additional services and facilities that may be appropriate from time to time.'

The following income, expenditures, assets and liabilities of the Home for Incurables Trust have been included in the administered items financial statements, but are separately disclosed in the following schedules in accordance with the governance requirements of the Trust.

Schedule of Income and Expenses - Home for Incurables Trust for the year ended 30 June 2009

	2009 $'000	2008 $'000
Expenses:		
Supplies and services	**23**	88
Grants, subsidies and client payments	**378**	-
Depreciation and amortisation	**645**	645
Total expenses	**1 046**	733
Income:		
Rental income	**325**	411
Interest	**388**	414
Revaluation of investment property	**1 185**	-
Total income	**1 898**	825
Net result	**852**	92
Other comprehensive income:		
Change in property, plant and equipment asset revaluation reserve	**6 324**	-
Total comprehensive income	**6 324**	-
Total comprehensive result	**7 176**	92

Schedule of Assets and Liabilities - Home for Incurables Trust as at 30 June 2009

	2009 $'000	2008 $'000
Current assets:		
Cash and cash equivalents:		
Deposits with the Treasurer	**118**	452
Deposits with SAFA	**7 019**	6 658
Total current assets	**7 137**	7 110
Non-current assets:		
Property, plant and equipment	**33 031**	27 067
Investment properties	**2 324**	1 139
Total non-current assets	**35 355**	28 206
Total assets	**42 492**	35 316
Total liabilities	**-**	-
Net assets	**42 492**	35 316

Schedule of Changes in Equity - Home for Incurables Trust for the year ended 30 June 2009

	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008	-	-	-
Restructure transfer in	19 384	15 840	35 224
Net result for 2007-08	-	92	92
Total comprehensive result for 2007-08	19 384	15 932	35 316
Balance at 30 June 2008	19 384	15 932	35 316
Net result for 2008-09	-	852	852
Gains on revaluation of property, plant and equipment during 2008-09	6 324	-	6 324
Total comprehensive result for 2008-09	6 324	852	7 176
Balance at 30 June 2009	**25 708**	**16 784**	**42 492**

Schedule of Administered Cash Flows - Home for Incurables Trust for the year ended 30 June 2009

	2009 $'000	2008 $'000
Cash flows from operating activities:		
Cash inflows:		
Interest revenue	388	414
Rental revenue	325	411
Total cash inflows	713	825
Cash outflows:		
Property expenses	(23)	(88)
Grants, subsidies and client payments	(378)	-
Total cash outflows	(401)	(88)
Net cash inflows from operating activities	312	737
Cash flows from investing activities:		
Cash Inflows:		
Purchase of property, plant and equipment	(285)	-
Proceeds from sale of property, plant and equipment	-	3 900
Total cash inflows	(285)	3 900
Net cash (outflows) inflows from investing activities	(285)	3 900
Cash flows from financing activities:		
Administrative restructures	-	2 473
Total cash inflows	-	2 473
Net cash inflows from financing activities	-	2 473
Net increase in cash	27	7 110
Cash and cash equivalents at 1 July	7 110	-
Cash and cash equivalents at 30 June	7 137	7 110

Accounting policies

The accounting policies pertaining to the administered items for the Department are contained in Note 2 for the Department.

Cash and cash equivalents

Cash and cash equivalents as reported in the Schedule of Assets and Liabilities - Home for Incurables Trust includes cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily convertible to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents in the Schedule of Administered Cash Flows - Home for Incurables Trust comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

Reconciliation of property, plant and equipment - Home for Incurables Trust	2009	2008
Property, plant and equipment:	$'000	$'000
Land and buildings:		
Site land (fair value)	13 100	6 911
Buildings and improvements (fair value)	19 931	21 445
Accumulated depreciation - buildings and improvements	-	(1 289)
Total land and buildings	33 031	27 067

Reconciliation of land and buildings - Home for Incurables Trust

The following table shows the movement of land, buildings and improvements, and leasehold improvements for the Homes for Incurables Trust during 2008-09:

	Site land $'000	Buildings and improvements $'000	Total land, buildings $'000
Carrying amount at 1 July	**6 911**	**20 156**	**27 067**
Additions	**-**	**285**	**285**
Revaluation increment	**6 189**	**135**	**6 324**
Depreciation and amortisation for the year	**-**	**(645)**	**(645)**
Carrying amount at 30 June 2009	**13 100**	**19 931**	**33 031**

Investment property - Home for Incurables Trust	**2009 $'000**	2008 $'000
Investment building	**560**	560
Revaluation increment	**269**	-
Fair value at 30 June 2009	**829**	560
Investment land	**579**	579
Revaluation increment	**916**	-
Fair value at 30 June 2009	**1 495**	579

Non-current classified as held-for-sale - Home for Incurables Trust		
Ringwood land and building carrying amount at time of transfer through administrative restructure	**-**	3 900
Settlement of the sale of the Ringwood land and building 31 August 2007	**-**	(3 900)
Carrying amount at 30 June 2009	**-**	-

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966.*

Functions

The functions of the University are to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

The University has a financial interest in a number of entities as detailed in Notes 1, 36 and 37 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial report

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University 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 University 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 on the financial statements and internal controls.

For the year ended 31 December 2008, specific areas of audit attention included:

- University governance and risk management
- payroll
- expenditure
- revenue, including research grant revenue
- financial accounting
- investments
- property, plant and equipment, including capital works.

Internal audit activities were also reviewed. Use was made of the work performed by internal audit in relation to research grant revenue and payroll.

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 Flinders University of South Australia and the consolidated entity as at 31 December 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*, the *Higher Education Support Act 2003* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of controls

In my opinion, the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure and research grants as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia 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 Flinders University of South Australia. Responses to the management letters were generally considered to be satisfactory. The main matters raised with the University and the related responses are detailed below.

Expenditure

Audit testing identified a number of instances where delegations of authority established by the University had not been followed in relation to approving University expenditure. The instances included authorisations in excess of the dollar limit assigned to the individual and authorisation of expenditure within the individual's specified dollar limit but which related to another area of the University's operations, for which the employee did not hold a delegation.

There were also instances identified where additional verification procedures relating to checking of large value payment batches and spot checking of processed payments were not undertaken as required by University policies.

In response to these matters the University identified that the implementation of an electronic workflow system to manage the authorisation and payment of invoices from October 2008 had significantly strengthened controls over payment authorisation. The University also identified that the process of conducting spot checks on processed payments had recommenced, with the main reason for the non-performance due to new staff members not being initially aware of the requirement. The University also agreed that the verification of high value payment batches would be undertaken as outlined in University policy.

Research grants

University procedure requires all applications for grant funding to be managed through the Office of Research. This process allows the Office to centrally review all applications for compliance with University policies and delegations prior to the funding application being submitted. Testing identified a number of instances in which research applications had been sent straight to external funding bodies and had subsequently not been subject to Office review prior to the application being submitted.

The grants concerned ranged from small value one-off projects to larger projects which operate over a number of years.

It was also noted that a number of documents were signed by officers other than the responsible Executive Dean or the Deputy Vice-Chancellor (Research), although no documentation was available to support that the signing officers had delegated authority to approve the documents.

Signed grant agreements between the University and the relevant funding body were also unable to be located for two of the items reviewed during the audit.

The University responded to these findings agreeing that all funding applications should be reviewed by the Office of Research and submitted to the Deputy Vice-Chancellor (Research).

Payroll

A number of control activities relating to the University's payroll function are undertaken at a faculty and divisional level, reflecting the decentralised nature of the University. Audit identified that reports which are produced centrally by the Payroll team and are then forwarded to the responsible area were not being consistently reviewed.

To assist the faculties of the University in understanding the requirements to review these reports the University has issued guidelines for the faculties to follow. The guidelines in place at the time of the audit did not provide enough detail to ensure a complete review of the reports was performed by all areas of the University.

The University responded to recommendations related to the review process and the guidelines by noting that a revised set of guidelines for faculties and divisions is being developed, and that changes to the reports to include more useful information are already in place.

Financial accounting

Processing of manual journals to the general ledger is subject to University requirements for approval of the journal and the inclusion of supporting documentation. The audit identified that not all journals were subject to the level of independent review required by University policy and supporting documentation was not always present with the journal.

The University responded that a revised policy which would clarify the requirements for journal processing would be finalised and implemented in 2009.

Information and communications technology review

Last year's Report provided a summary of findings of an audit undertaken of information and communications technology controls for the human resource management system and finance system, and some aspects of the finance system's computer processing environment. The audit also reviewed the use of electronic funds transfer facilities for these systems.

The findings conveyed in that Report included the need for the University to implement an over-arching security policy, formalise a system change control process, improve access security within the computer room, develop disaster recovery/business continuity plans, and implement improvements for some specific security and control matters for the human resource management system and finance system.

The Report also indicated that the University's specific responses to the matters raised by Audit would be considered and taken in the context of resource availability and risk assessment. For example, the University responded that it would establish an information security policy as soon as it is practical and action to be taken on other matters would be based on their assessment of risk.

At the time of preparation of this Report a follow-up audit of the implementation of remedial actions taken by the University was in progress, including whether formal risk assessments have been undertaken.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the financial report (Consolidated)

	2008	2007
	$'million	$'million
INCOME		
Australian Government grants and FEE-HELP	**172**	139
HECS-HELP (Australian Government and student)	**49**	46
Fees and charges	**43**	41
Other	**62**	61
Total income	**326**	287
EXPENSES		
Employee benefits and on-costs	**180**	168
Other expenses	**108**	92
Total expenses	**288**	260
Operating result	**38**	27
NET CASH PROVIDED BY OPERATING ACTIVITIES	**55**	31

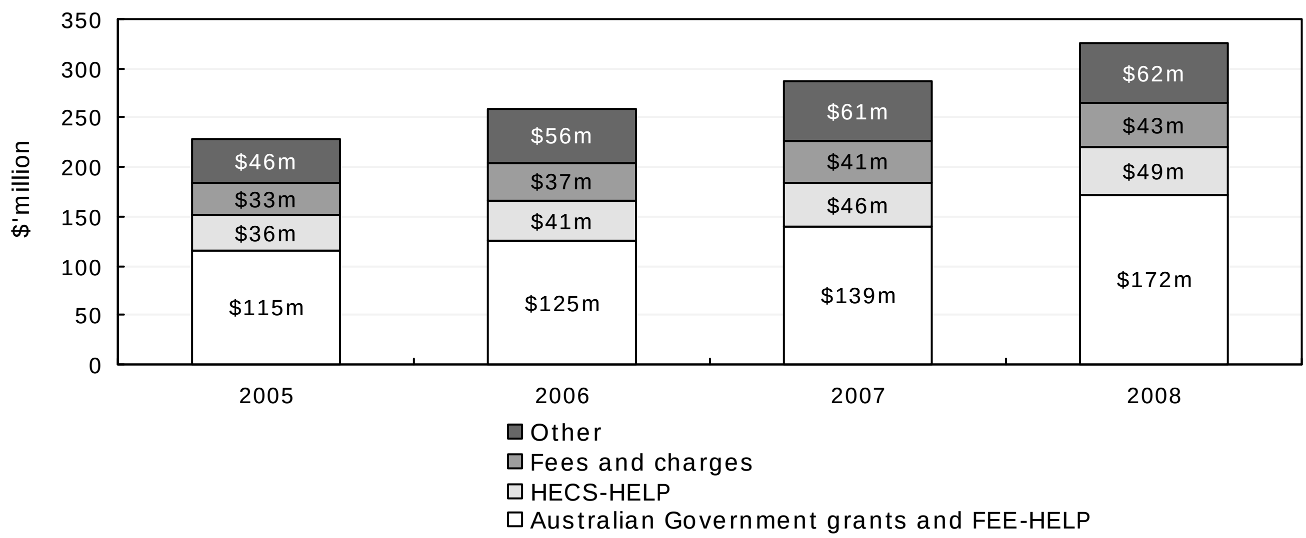
	2008 $'million	2007 $'million
ASSETS		
Current assets	**128**	121
Non-current assets	**375**	340
Total assets	**503**	461
LIABILITIES		
Current liabilities	**49**	44
Non-current liabilities	**43**	46
Total liabilities	**92**	90
EQUITY	**411**	371

Income Statement

Income

Total income increased by $39 million (14 percent). This is due mainly to increases in Australian Government grants of $33 million (24 percent), HECS-HELP of $3 million (7 percent) and fees and charges of $2 million (5 percent). The increase in Australian Government grants was due mainly to an $11 million increase in Commonwealth Grants Scheme funding, an $11 million increase in Other Australian Government Financial Assistance and a $9 million Better Universities Renewal Funding grant. HECS-HELP revenue has increased as a result of an increase in domestic student enrolments while the increase in Fees and charges is predominantly due to the increase in fee-paying overseas student fees.

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

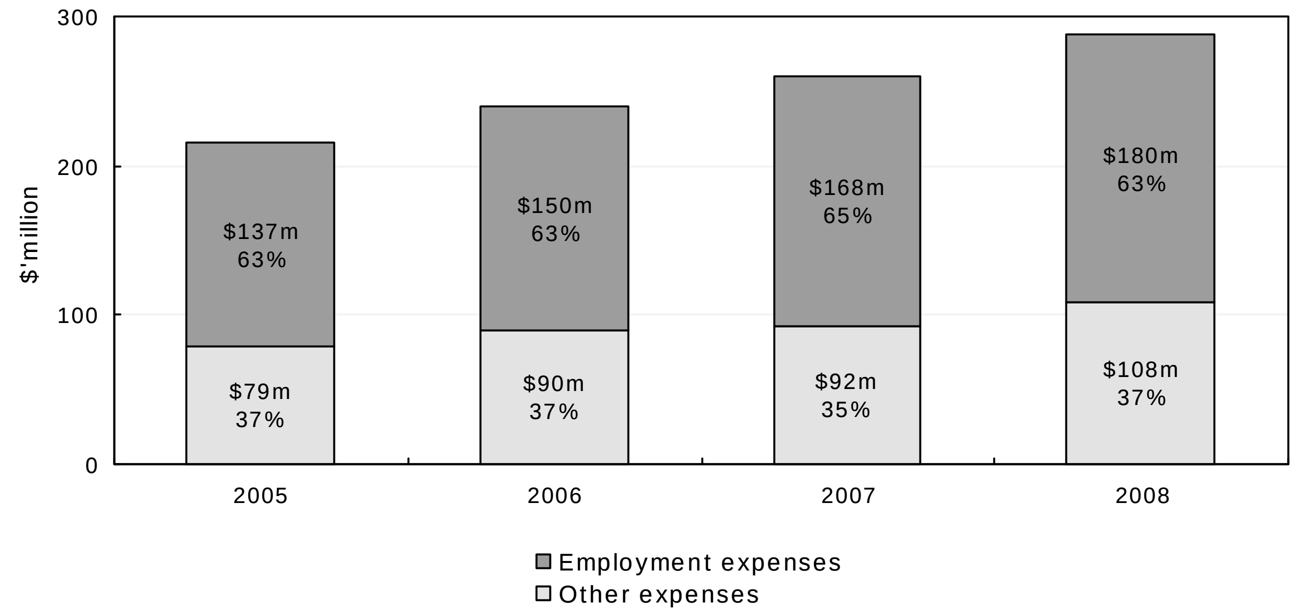


The preceding chart shows that the University is dependent to a large extent on financial assistance from the Australian Government. The chart also demonstrates that the overall revenues from other sources have remained consistent as a proportion of the total revenue raised by the University.

Expenses

Total expenses increased by $28 million (11 percent). The main reasons for the increase were an increase in employment benefits of $12 million (7 percent) and recognition of investment losses of $7 million. Employment benefit expenses increased as a result of Workplace Agreement increases and an increase in overall staff numbers.

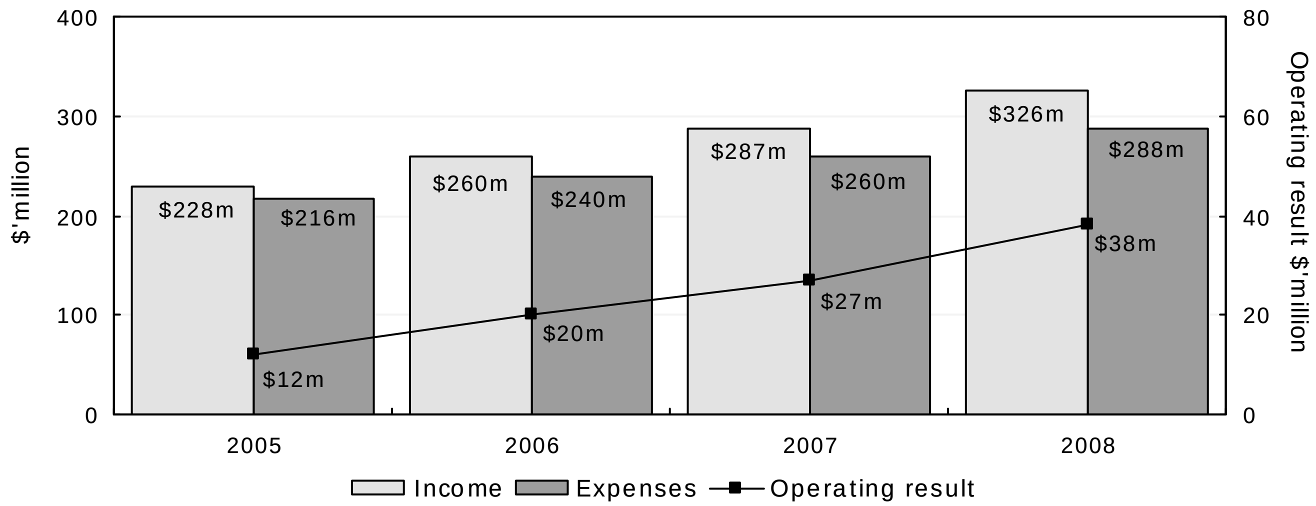
For the four years to 2008, a structural analysis of the main operating expense items for the University is shown in the following chart.



The preceding chart shows that the proportion of employment expenses to total expenditure has remained relatively constant since 2005.

Operating result

The following chart shows the operating income, operating expenses and the operating result for the four years to 2008. The chart shows that the University recorded a series of increasing surpluses between 2005 and 2008.



Balance Sheet

From 2007 to 2008 total assets increased by $42 million (9 percent) and total liabilities increased by $2 million (2 percent).

Non-current assets increased by $35 million (10 percent) attributable to a $33 million increase in the value of property, plant and equipment predominantly as a result of additions.

The increase in total liabilities was mainly the result of $2 million increase in provisions. This increase is principally the result of an increase in the annual leave provision.

Cash Flow Statement

The following table summarises the net cash flows for 2008 and 2007.

	2008	2007
	$'million	$'million
Net cash flows		
Operating	**56**	31
Investing	**(43)**	(32)
Change in Cash	**13**	(1)
Cash at 31 December	**92**	79

Net cash inflows from operating activities increased by $25 million in 2008. This was principally the result or a significant increase in Australian Government grants.

Net cash outflow from investing activities mainly reflects the University's significant purchases of property, plant and equipment.

Income Statement
for the year ended 31 December 2008

		Consolidated		University	
		2008	2007	**2008**	2007
REVENUE FROM CONTINUING OPERATIONS:	Note	**$'000**	$'000	**$'000**	$'000
Australian Government financial assistance:					
Australian Government grants	1(o), 2	**168 798**	136 205	**168 174**	135 634
HECS-HELP - Australian Government payments	2	**42 140**	39 890	**42 140**	39 890
FEE-HELP	2	**3 197**	2 523	**3 197**	2 523
State and local government financial assistance	3	**15 273**	9 276	**15 078**	9 106
HECS-HELP - Student payments		**6 678**	6 088	**6 678**	6 088
Fees and charges	1(o), 4	**43 340**	41 333	**41 345**	39 888
Investment revenue	1(o), 5	**9 576**	9 321	**8 131**	9 040
Royalties, trademarks and licenses	6	**1 142**	2 912	**504**	2 770
Consultancy and contracts	1(o), 7	**15 797**	16 789	**8 471**	9 264
Other revenue and income	8	**19 413**	15 789	**13 735**	10 544
Total revenue from continuing operations		**325 354**	280 126	**307 453**	264 747
Other investment income	1(o), 5	**-**	6 300	**-**	5 299
(Losses) Gains on disposal of assets	9	**(864)**	128	**(885)**	128
Total income from continuing operations		**(864)**	6 428	**(885)**	5 427
Deferred government superannuation contributions	1(h), 34	**1 500**	-	**1 500**	-
Total revenue and income from continuing operations		**325 990**	286 554	**308 068**	270 174
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits and on-costs	10	**179 812**	167 776	**173 370**	161 301
Depreciation and amortisation	1(c), 11	**14 542**	10 636	**14 402**	10 465
Repairs and maintenance	12	**9 777**	10 900	**9 751**	10 775
Impairment of assets	13	**1 777**	1 686	**-**	137
Investment losses	1(o), 5	**6 557**	-	**6 041**	-
Other expenses	14	**73 989**	68 682	**65 616**	58 765
Subtotal		**286 454**	259 680	**269 180**	241 443
Deferred employee benefits for superannuation	1(h),10,34	**1 500**	-	**1 500**	-
Total expenses from continuing operations		**287 954**	259 680	**270 680**	241 443
OPERATING RESULT FOR THE YEAR		**38 036**	26 874	**37 388**	28 731
Operating result attributable to minority interest	27	**-**	(13)	**-**	-
OPERATING RESULT ATTRIBUTABLE TO THE UNIVERSITY		**38 036**	26 887	**37 388**	28 731

Balance Sheet
as at 31 December 2008

		Consolidated		University	
		2008	2007	**2008**	2007
ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:					
Cash and cash equivalents	1(d), 15	**91 705**	79 177	**88 478**	77 463
Receivables	1(d), 16	**20 254**	18 359	**18 515**	16 886
Inventories	1(l), 17	**529**	487	**211**	209
Other financial assets	1(d), 18	**10 191**	20 155	**9 183**	18 719
Other non-financial assets	19	**5 481**	3 075	**5 461**	3 078
Total Current Assets		**128 160**	121 253	**121 848**	116 355
NON-CURRENT ASSETS:					
Receivables	1(d), 16	**29 159**	28 047	**29 159**	28 047
Investment property	1(e), 20	**10 259**	11 134	**10 259**	11 134
Property, plant and equipment	1(p), 21	**323 053**	290 028	**322 562**	289 379
Other financial assets	1(d), 18	**9 485**	8 152	**14 246**	12 847
Intangible assets	1(g), 22	**3 353**	2 785	**3 013**	2 674
Total Non-Current Assets		**375 309**	340 146	**379 239**	344 081
Total Assets		**503 469**	461 399	**501 087**	460 436
LIABILITIES:					
CURRENT LIABILITIES:					
Trade and other payables	1(d), 23	**22 521**	19 159	**19 559**	17 420
Provisions	1(h), 1(j), 24	**19 240**	15 261	**18 854**	14 991
Other liabilities	1(d), 25	**6 847**	9 786	**9 539**	12 237
Total Current Liabilities		**48 608**	44 206	**47 952**	44 648
NON-CURRENT LIABILITIES:					
Trade and other payables	1(d), 23	**3 415**	3 814	**3 398**	3 793
Provisions	1(h) 1(j), 24	**40 252**	42 046	**40 046**	41 819
Total Non-Current Liabilities		**43 667**	45 860	**43 444**	45 612
Total Liabilities		**92 275**	90 066	**91 396**	90 260
NET ASSETS		**411 194**	371 333	**409 691**	370 176
EQUITY:					
Parent entity interest:					
Reserves	26	**187 446**	162 655	**194 861**	169 768
Retained surplus	26	**223 746**	208 676	**214 830**	200 408
Total Parent Entity Interest		**411 192**	371 331	**409 691**	370 176
Minority interest	27	**2**	2	**-**	-
TOTAL EQUITY		**411 194**	371 333	**409 691**	370 176

Statement of Recognised Income and Expense for the year ended 31 December 2008

		Consolidated		University	
		2008	2007	**2008**	2007
	Note	**$'000**	$'000	**$'000**	$'000
Total equity at 1 January		**371 333**	239 783	**370 176**	237 297
Gain on revaluation of property, plant and equipment	26	**807**	104 813	**807**	104 813
Gain (Loss) on revaluation of available-for-sale investments	26	**1 273**	643	**1 575**	(405)
Transfer of building revaluation reserve to operating result as reversal of previous decrement expense	26	**-**	(671)	**-**	(151)
AASB 119 adjustment - Super Scheme No. 1 surplus	18, 26	**(255)**	(109)	**(255)**	(109)
Net income recognised directly in equity		**1 825**	104 676	**2 127**	104 148
Operating result for the year		**38 036**	26 874	**37 388**	28 731
Total recognised income and expense for the year		**39 861**	131 550	**39 515**	132 879
Total equity at 31 December		**411 194**	371 333	**409 691**	370 176
Total recognised income and expense for the year is attributable to:					
University		**39 861**	131 563	**39 515**	132 879
Minority interest	27	**-**	(13)	**-**	-
		39 861	131 550	**39 515**	132 879

Cash Flow Statement
for the year ended 31 December 2008

		Consolidated		University	
		2008	2007	**2008**	2007
		Inflows	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
	Note	**$'000**	$'000	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Australian Government grants received	2(h)	**214 281**	175 772	**213 629**	175 201
State Government grants received		**15 212**	9 235	**15 017**	9 065
Local Government grants received		**61**	41	**61**	41
HECS-HELP - Student payments		**6 678**	6 088	**6 678**	6 088
Receipts from student fees and other customers		**74 121**	69 859	**60 205**	57 907
Dividends received		**1 507**	519	**321**	386
Interest received		**6 653**	6 443	**6 410**	6 190
Other investment income		**298**	2 573	**282**	1 187
Payments to suppliers and employees (inclusive of GST)		**(263 340)**	(239 351)	**(248 436)**	(222 541)
Net cash provided by operating activities	40	**55 471**	31 179	**54 167**	33 524
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		**675**	540	**654**	540
Payments for property, plant and equipment		**(46 081)**	(30 108)	**(45 870)**	(30 021)
Payments for investment property		**(125)**	-	**(125)**	-
Proceeds from term deposit		**500**	-	**500**	-
Proceeds from sale of financial assets		**2 586**	-	**2 586**	-
Payments for financial assets		**(817)**	(70)	**(70)**	(70)
Increase (Decrease) in funds held on behalf of other entities		**319**	(2 600)	**(827)**	(4 628)
Net cash used in investing activities		**(42 943)**	(32 238)	**(43 152)**	(34 179)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		**-**	-	**-**	-
Net cash provided by financing activities		**-**	-	**-**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12 528**	(1 059)	**11 015**	(655)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**79 177**	80 236	**77 463**	78 118
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	1(d)(i),40	**91 705**	79 177	**88 478**	77 463
Non-cash financing and investing activities	41				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with AASs, AASB Interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR)* and other State/Australian Government legislative requirements.

The financial statements are generally consistent with relevant provisions of the TIs issued pursuant to the PFAA and the APF issued pursuant to the TIs, except where they conflict with the DEEWR guidelines.

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

The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries.

Compliance with International Financial Reporting Standards (IFRS)
AASs include AIFRS. The financial statements and notes comply with the AASs some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

Historical cost convention
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AASs requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of AASs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEEWR financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

* DEEWR requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for the 2008 Reporting Period'.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in Note 36.

Unrealised gains on transactions between the Economic entity and its subsidiaries are eliminated to the extent of the Economic entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Economic entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

(ii) Associates

Associates are entities over which the Economic entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Where material, investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

(ii) Associates (continued)

The Economic entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Economic entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Economic entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The effects of transactions between the University and its associates have been eliminated on consolidation.

(c) Depreciation and amortisation

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

	Percentage
Depreciation:	
Buildings and infrastructure	2.5 - 20.0
Equipment:	
Motor vehicles	20.0
General equipment	10.0 - 33.3
Computer hardware	33.3
Furniture	10.0
Aircraft	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 21. Depreciation expense by asset class is shown in Note 11.

In 2008, the University re-assessed the useful life of laboratory equipment and increased it from six years to ten years. The net effect of this change on depreciation expense in 2008 is approximately $1 million.

(d) Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits less than 90 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 15.

For the Balance Sheet, Cash and cash equivalents exclude Bank overdrafts, as they are included within Other liabilities.

For the Cash Flow Statement, Cash and cash equivalents are net of Bank overdrafts.

(ii) Receivables

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in Note 16.

Details regarding the receivable from the Australian Government relating to the State Superannuation Scheme are disclosed in Note 1(h)(v) 'Superannuation'.

(iii) Financial assets (investments)

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the parent entity financial statements.

In accordance with AASB 139 other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held-to-maturity investments
Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

Available-for-sale financial assets
Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as 'available-for-sale' and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for financial assets (investments) is made in Note 18.

(iv) *Payables*
Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in Note 23. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) *Interest bearing liabilities*
The University has no loans or borrowings. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds and shares the investment income with those entities. Note disclosure is made in Note 25.

(vi) *Other liabilities: funds held on behalf of external entities*
Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 25.

(e) Investment property
Investment properties exclude properties held to meet service delivery objectives of the University. The University holds two investment properties which are measured on a fair value basis. Independent valuations are undertaken triennially. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The University acquired the Mark Oliphant Building in 2000 as an investment property. The intention was, and still is, to make returns from capital appreciation and rentals. The property is off campus and the majority of tenants are external entities. Where subsidiaries or internal units of the University occupy space, rental is charged. This contrasts with space in the University where no charges are applied. There are no restrictions on the realisability of investment property or remittance of income from it.

In 2006 the Remote Health Precinct was completed. A portion of this property is treated as an investment property and as at 31 December is shown at fair value. Note disclosure is made in Note 20.

The investment properties were independently valued at fair value as at 31 December 2008 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd.

(f) Website costs
Costs in relation to websites are charged as expenses in the period in which they are incurred.

(g) Intangible assets
(i) *Research and development*
Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense when incurred.

(i) *Research and development (continued)*

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined;
- for projects expected to be financially viable, to offset future revenue.

Development costs treated as deferred expenditure are included in the Consolidated Balance Sheet and are disclosed under Note 22 as Project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the Net Operating Result.

(ii) *Software costs*

The University capitalises certain software costs with a purchase price greater than $50 000 and an expected useful life greater than 12 months, together with external costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational. Note disclosure is made in Note 22.

(h) Employee expenses

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on-costs not accruing to employees are classed as payables as required under APF IV, APS 5.25. Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

(i) *Long service leave*

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2008 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 4 percent per annum
- salary inflation rate of 5 percent per annum
- on-costs have been applied at the rate of 27.6 percent
- the proportion of leave taken in service is 77 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 23 and 24.

(ii) *Annual leave*

Up until 2006, the University's liability for unused annual leave applied only to non-academic staff. Prior to 21 August 2006, in accordance with conditions of employment, academic staff were generally required to take annual leave each year in the year in which it was earned and no formal records were maintained. Accordingly no annual leave liability was recorded at year end for academic staff.

As a result of Federal Work Choices legislation, the University is required to formally record academic annual leave which it has done with effect from 21 August 2006.

The calculation to measure the value of annual leave has assumed a 4 percent salary inflation factor, as required by the APF IV, APS 5.5. The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 23 and 24.

(iii) *Sick leave*

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

(iv) *Refreshment leave*

Certain academic staff in senior management roles are eligible for refreshment leave upon completion of their contract.

(v) *Superannuation*

Superannuation schemes

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded schemes are expensed in the Income Statement. Except in the case of multi-employer plans such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Note 34 provides details in respect of the individual schemes.

Superannuation Scheme No. 1
Actuarial gains or losses are recognised in the Statement of Recognised Income and Expense in the period to which they relate.

Unfunded superannuation - State Superannuation Scheme
An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Balance Sheet under Provisions with a corresponding asset recognised under Receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic entity.

(vi) *Invalidity Scheme*
The Invalidity Scheme exists to provide benefits to certain members of University Superannuation Scheme No. 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the Scheme by estimating the net present value of future insurance premiums together with an assessment of the probable amount that will be paid above the level of insurance cover. Details are disclosed in Notes 24 and 34.

(vii) *Redundancy/severance*
Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in Note 24.

(i) ***Foreign currency***

(i) *Functional and presentation currency*
The consolidated financial statements are presented in Australian dollars which is the Economic entity's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. There were no material foreign currency monetary items outstanding at balance date.

(j) ***Workers compensation***

The University is responsible for payments of workers compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administered workers compensation arrangements on behalf of the University up until 30 September 2008, after which date Lawsons Risk Management Services Pty Ltd performed this function.

The provision for workers compensation liability is actuarially determined each year. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in Note 24.

(k) ***GST***

The University recognises revenues and expenses net of the amount of GST, except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of GST recoverable from or payable to the ATO.

(l) ***Inventories***

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 17.

(m) Investments in business undertakings

Subsidiaries

Investments in subsidiaries are carried in the University's Balance Sheet at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 36.

Joint ventures

Joint venture operations

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Balance Sheet and Income Statement, where material. Details of joint ventures are included in Note 37.

Joint venture entities

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. except for Unisure Pty Ltd. The University has incorporated its share of the financial transactions of Unisure into the University column of the financial statements. Disclosure is made in Note 37.

(n) Leased assets

University as lessee

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

University as lessor

The University leases space in two investment properties to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

Note disclosure is made in Note 33(b).

(o) Revenue recognition

(i) Australian Government financial assistance

DEEWR provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEEWR. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates.

Other revenue from DEEWR is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in Note 2.

(ii) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in Note 7.

(iii) Donations

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in Note 8.

(iv) Fees and charges: Student revenue

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in Note 4.

(v) Investment income

Interest income is recognised as it accrues. For 'held-to-maturity assets', the indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared before 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the Net Operating Result. For 'available-for-sale investments' and investments classified as 'Other financial assets', realised gains are included in the Net Operating Result while unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in Note 5.

(p) *Property, plant and equipment*

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in Note 21.

(i) Land

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University was independently revalued as at 31 December 2008 by Peter Lornie, AAPI, CPV, BComm(VFM) of Southwick Goodyear Pty Ltd. Comprehensive independent land valuations are undertaken triennially.

(ii) Buildings and infrastructure

Buildings and infrastructure controlled by the Consolidated entity were independently revalued as at 31 December 2007 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. An updated review at 31 December 2008 revealed there was no material change to buildings and infrastructure values. Comprehensive independent valuations are undertaken triennially.

Buildings under construction are measured at cost.

(iii) Library collection

The Library collection is revalued at Council's valuation on a triennial basis. As at 31 December 2007 the Library collection was revalued to reflect fair value and is reported at Council's valuation. Additions in 2008 were initially recorded at cost. The value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes.

(iv) Equipment

This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing $10 000 or more are capitalised and recorded in the Balance Sheet initially at cost. Items costing less than $10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

(v) Aircraft

Individual items costing $10 000 or more are initially capitalised and recorded in the Balance Sheet at cost. Items costing less than $10 000 are recognised as an expense in the Income Statement in the period acquired. The carrying values of aircraft are reviewed annually by University management to ensure that they are carried at fair value.

(vi) Works of art

The works of art collection was revalued as at 31 December 2007 and is reported at Council's valuation based on fair value.

(q) *Impairment of assets*

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(r) *Doubtful debts*

The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 16.

(s) *Income tax status*

The activities of the University are exempt from income tax as are all but two of its wholly-owned subsidiaries. One of the subsidiaries, Flinders Reproductive Medicine Pty Ltd, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to FBT, the GST and payroll tax.

(t) *Borrowing costs*

When applicable, borrowing costs are recognised as an expense in the period incurred. At present neither the University nor the Economic entity has any borrowings.

(u) *Current and non-current classification*

Assets and liabilities are characterised as either current or non-current. The University and the Economic entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

(v) Rounding to the nearest $'000

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

(w) New or revised Australian Accounting Standards

The University did not early-adopt any new or revised accounting standards that are not yet effective.

The following new or revised accounting standards have been issued but are not yet effective:

- AASB 8 Operating Segments (1 January 2009)
- AASB 101 Presentation of Financial Statements (1 January 2009)
- AASB 102 Inventories (1 January 2009)
- AASB 123 Borrowing Costs (1 January 2009)

The University has assessed the impact of these new standards and Interpretations and considers the impact to be insignificant, but notes that AASB 101 will require restructuring of the financial statements.

(x) Comparative figures

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

(y) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

2. Australian Government financial assistance including HECS-HELP and other Australian Government Loan Programs

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
(a) Commonwealth Grants Scheme and other grants	45.1				
Commonwealth Grants Scheme (CGS) #		**75 246**	68 316	**75 246**	68 316
Indigenous Support Program		**520**	507	**520**	507
Equity Support Program		**262**	252	**262**	252
Disability Support Program		**65**	125	**65**	125
Workplace Reform Program		**932**	899	**932**	899
Workplace Productivity Program		**342**	52	**342**	52
Learning and Teaching Performance Fund		**500**	1 926	**500**	1 926
Capital Development Pool		**2 481**	1 061	**2 481**	1 061
Superannuation Program		**1 922**	1 022	**1 922**	1 022
Collaboration and Structural Reform Program ##		**1 767**	99	**1 767**	99
Improving the Practical Component of Teacher Education Initiative		**309**	-	**309**	-
Transitional Cost Program		**503**	-	**503**	-
Total Commonwealth Grants Scheme and other grants		**84 849**	74 259	**84 849**	74 259
(b) Higher Education Loan Programmes	45.2				
HECS-HELP		**42 140**	39 890	**42 140**	39 890
FEE-HELP		**3 197**	2 523	**3 197**	2 523
Total Higher Education Loan Programmes		**45 337**	42 413	**45 337**	42 413

\# Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and HEFTA Transition Fund.

\## Includes Diversity and Structural Adjustment Fund.

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
(c) Scholarships	45.3				
Australian Postgraduate Awards		**1 717**	1 693	**1 717**	1 693
International Postgraduate Research Scholarship		**353**	201	**353**	201
Commonwealth Education Cost Scholarships		**977**	723	**977**	723
Commonwealth Accommodation Scholarships		**1 349**	1 149	**1 349**	1 149
Indigenous Access Scholarships		**61**	-	**61**	-
Total Scholarships		**4 457**	3 766	**4 457**	3 766

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
(d)	***DIISR* - research***	45.4				
	Institutional Grants Scheme		**5 976**	6 167	**5 976**	6 167
	Research Training Scheme		**10 389**	10 588	**10 389**	10 588
	Research Infrastructure Block Grants		**2 944**	2 881	**2 944**	2 881
	Implementation Assistance Programme		**102**	50	**102**	50
	Australian Scheme for Higher Education Repositories		**200**	106	**200**	106
	Commercialisation Training Scheme		**94**	93	**94**	93
	Total DIISR - research grants		**19 705**	19 885	**19 705**	19 885

* previously DEEWR - research

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
(e)	***Voluntary student unionism***	45.5				
	VSU Transition Fund		**1 732**	933	**1 732**	933
	Total voluntary student unionism		**1 732**	933	**1 732**	933
(f)	***Better Universities Renewal Funding***	45.6				
	Total Better Universities Renewal Funding		**8 931**	-	**8 931**	-
(g)	***Australian Research Council***					
	(i) *Discovery*	45.7(a)				
	Project		**3 151**	2 902	**3 151**	2 902
	Fellowships		**167**	-	**167**	-
	Total discovery		**3 318**	2 902	**3 318**	2 902
	(ii) *Linkages*	45.7(b)				
	Special Research Initiatives		**161**	170	**161**	170
	Infrastructure		**82**	137	**82**	137
	International		**-**	6	**-**	6
	Projects		**1 466**	1 555	**1 466**	1 555
	Total linkages		**1 709**	1 868	**1 709**	1 868
	(iii) *Networks and Centres*	45.7(c)				
	Research Networks		**100**	6	**100**	6
	Research Centres		**157**	164	**157**	164
	Total networks and centres		**257**	170	**257**	170
(h)	***Other Australian Government financial assistance***					
	National Health and Medical Research Council		**9 021**	8 502	**9 021**	8 502
	Other Research		**12 959**	12 311	**12 335**	11 740
	Other Non-research		**21 256**	11 218	**21 256**	11 218
	Commonwealth scholarships		**604**	391	**604**	391
	Total other Australian Government financial assistance		**43 840**	32 422	**43 216**	31 851
	Total Australian Government financial assistance		**214 135**	178 618	**213 511**	178 047
	Reconciliation					
	Australian Government grants (a+c+d+e+f+g+h)		**168 798**	136 205	**168 174**	135 634
	HECS-HELP Australian Government payments		**42 140**	39 890	**42 140**	39 890
	Other Australian Government loan programmes (FEE-HELP)		**3 197**	2 523	**3 197**	2 523
	Total Australian Government financial assistance		**214 135**	178 618	**213 511**	178 047

		Consolidated		University	
(i) Australian Government Grants received - cash basis		**2008**	2007	**2008**	2007
	Note	**$'000**	$'000	**$'000**	$'000
CGS and other DEEWR grants	45.1	**83 048**	74 489	**83 048**	74 489
Higher Education Loan Programmes	45.2	**47 861**	39 567	**47 861**	39 567
Scholarships	45.3	**4 523**	3 901	**4 523**	3 901
DIISR research	45.4	**19 705**	19 885	**19 705**	19 885
Voluntary student unionism	45.5	**1 732**	933	**1 732**	933
Better Universities Renewal Fund	45.6	**8 931**	-	**8 931**	-
Arc grants - discovery	45.7	**3 014**	2 602	**3 014**	2 602
Arc grants - linkages	45.7	**1 618**	1 841	**1 618**	1 841
Arc grants - networks and centres	45.7	**-**	-	**-**	-
Other Australian Government grants		**43 704**	32 477	**43 052**	31 906
Total Australian Government grants Received - cash basis		**214 136**	175 695	**213 484**	175 124
OS-Help (Net)	45.2	**145**	77	**145**	77
Total Australian Government funding received - cash basis		**214 281**	175 772	**213 629**	175 201

3. State and local government financial assistance

South Australian State Government financial assistance	**10 799**	6 931	**10 670**	6 769
South Australian local government financial assistance	**61**	41	**61**	41
Other State/Territory Governments financial assistance	**4 413**	2 304	**4 347**	2 296
Total State and local government financial assistance	**15 273**	9 276	**15 078**	9 106

4. Fees and charges

Course fees and charges:				
Fee-paying overseas students	**28 704**	27 944	**28 704**	27 944
Fee-paying domestic postgraduate students	**1 891**	1 820	**1 891**	1 820
Fee-paying domestic undergraduate students	**673**	334	**673**	334
Fee-paying domestic non-award students	**139**	180	**139**	180
Other domestic course fees and charges	**2 756**	2 481	**2 756**	2 481
Total course fees and charges	**34 163**	32 759	**34 163**	32 759
Other non-course fees and charges:				
Student accommodation	**4 234**	3 926	**4 234**	3 926
Rental charges	**710**	636	**643**	563
Other student charges	**415**	475	**415**	475
Other hire fees	**165**	167	**165**	166
Parking fees	**1 162**	1 215	**1 162**	1 215
Other fees and charges	**2 491**	2 155	**563**	784
Total other fees and charges	**9 177**	8 574	**7 182**	7 129
Total fees and charges	**43 340**	41 333	**41 345**	39 888

5. Investment revenue and income

Investment revenue:				
Dividends:				
Wholly-owned subsidiaries	**-**	-	**-**	-
Other entities	**1 507**	519	**321**	386
	1 507	519	**321**	386
Interest	**6 653**	6 443	**6 410**	6 189
Managed funds	**513**	1 499	**425**	1 499
Investment property rental revenue	**903**	860	**975**	966
Total investment revenue	**9 576**	9 321	**8 131**	9 040
Unrealised Investment Gains (Losses):				
Movements in assets at fair value through profit and loss	**(5 557)**	1 021	**(5 041)**	20
Movements in fair value of investment properties	**(1 000)**	5 279	**(1 000)**	5 279
Total unrealised investment movements	**(6 557)**	6 300	**(6 041)**	5 299
Total investment revenue and income	**3 019**	15 621	**2 090**	14 339

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
6.	**Royalties, trademarks and licences**					
	Total royalties, trademarks and licences		**1 142**	2 912	**504**	2 770
7.	**Consultancy and contracts**					
	Consultancy		**9 323**	8 014	**2 483**	2 587
	Contract research		**6 474**	8 775	**5 988**	6 677
	Total consultancy and contracts		**15 797**	16 789	**8 471**	9 264
8.	**Other revenue and income**					
	Donations and bequests		**1 429**	1 110	**1 429**	1 109
	Contribution of assets		**688**	1 040	**688**	1 040
	Scholarships and prizes		**608**	392	**608**	392
	Non-government grants		**4 122**	2 517	**4 122**	2 476
	Reimbursements		**3 961**	2 560	**3 962**	2 676
	Reversal of write-down		**-**	671	**-**	151
	Sales and other charges		**6 236**	5 597	**1 657**	1 371
	Other revenue		**2 369**	1 902	**1 269**	1 329
	Total other revenue		**19 413**	15 789	**13 735**	10 544
9.	**Gains (Losses) on disposal of assets**					
	Net (loss) gain on sale of assets - refer below		**(864)**	128	**(885)**	128
	Total other income		**(864)**	128	**(885)**	128
	Proceeds from sale of assets:					
	Investments		**2 586**	-	**2 586**	-
	Property, plant and equipment		**675**	540	**654**	540
	Total proceeds from sale of assets		**3 261**	540	**3 240**	540
	Carrying amount of assets sold:					
	Investments		**3 566**	23	**3 566**	23
	Property, plant and equipment	21	**559**	389	**559**	389
	Total carrying amount of assets sold		**4 125**	412	**4 125**	412
	Net gains on sale of assets:					
	Investments		**-**	-	**-**	-
	Property, plant and equipment		**116**	151	**95**	151
	Total net gains on sale of assets		**116**	151	**95**	151
	Net losses on sale of assets:					
	Investments		**980**	23	**980**	23
	Property, plant and equipment		**-**	-	**-**	-
	Total net losses on sale of assets		**980**	23	**980**	23
	Net (loss) gain on sale of assets		**(864)**	128	**(885)**	128
10.	**Employee related expenses**					
	Employee benefits and on-costs					
	Academic:					
	Salaries		**71 450**	65 914	**71 000**	65 252
	Contributions to superannuation and pension schemes:					
	Emerging cost		**1 355**	1 378	**1 355**	1 378
	Funded		**11 225**	9 275	**11 166**	9 204
	Payroll tax		**4 212**	4 033	**4 191**	4 006
	Workers compensation		**174**	536	**169**	530
	Long service leave expense		**1 492**	2 542	**1 472**	2 520
	Annual leave		**5 857**	5 660	**5 834**	5 640
	Redundancy expenses		**90**	681	**90**	681
	Total academic		**95 855**	90 019	**95 277**	89 211
	Non-academic:					
	Salaries		**62 996**	57 142	**57 419**	51 786
	Contributions to superannuation and pension schemes:					
	Emerging cost		**355**	344	**355**	344
	Funded		**9 551**	8 359	**9 386**	8 224
	Payroll tax		**3 660**	3 610	**3 638**	3 542
	Workers compensation		**163**	549	**158**	534
	Long service leave expense		**2 078**	2 498	**2 069**	2 502
	Annual leave		**5 093**	4 764	**5 007**	4 667
	Redundancy expenses		**61**	491	**61**	491
	Total non-academic		**83 957**	77 757	**78 093**	72 090
	Total employee benefits and on-costs		**179 812**	167 776	**173 370**	161 301
	Deferred government employee benefits for superannuation		**1 500**	-	**1 500**	-
	Total employee related expenses including deferred Government employee benefits for superannuation		**181 312**	167 776	**174 870**	161 301

			Consolidated		University	
			2008	2007	**2008**	2007
		Note	**$'000**	$'000	**$'000**	$'000
11.	**Depreciation and amortisation**					
	Depreciation:					
	Buildings and infrastructure		**6 238**	2 729	**6 238**	2 729
	Plant and equipment		**2 736**	3 311	**2 596**	3 140
	Aircraft		**219**	220	**219**	220
	Library collection		**4 585**	3 771	**4 585**	3 771
	Total depreciation		**13 778**	10 031	**13 638**	9 860
	Amortisation:					
	Software		**764**	605	**764**	605
	Total amortisation		**764**	605	**764**	605
	Total depreciation and amortisation		**14 542**	10 636	**14 402**	10 465
12.	**Repairs and maintenance**					
	Buildings and grounds		**3 897**	5 543	**3 897**	5 488
	Minor new works		**2 653**	2 546	**2 653**	2 546
	Equipment and artwork		**3 227**	2 811	**3 201**	2 741
	Total repairs and maintenance		**9 777**	10 900	**9 751**	10 775
13.	**Impairment of assets**					
	Impairment of investment in subsidiary entity		**-**	39	**-**	-
	Impairment of intangible assets		**1 777**	1 647	**-**	137
	Total impairment of assets		**1 777**	1 686	**-**	137
14.	**Other expenses**					
	Scholarships, grants and prizes		**11 804**	9 999	**11 802**	9 999
	Non-capitalised equipment		**5 945**	4 980	**5 714**	4 939
	Advertising, marketing and promotional expenses		**2 787**	2 494	**2 663**	2 481
	Bad and doubtful debts		**(446)**	538	**(409)**	538
	Fees and charges		**10 016**	10 596	**9 084**	7 412
	Consultancy fees		**4 913**	3 487	**2 370**	2 167
	General consumables		**6 779**	6 252	**5 322**	5 127
	Printing and photocopying		**1 495**	1 437	**1 480**	1 401
	Operating lease rental expenses		**1 389**	1 490	**1 332**	1 495
	Telecommunications		**1 897**	1 811	**1 894**	1 794
	Travel, staff development and entertainment		**10 797**	9 752	**9 870**	8 984
	Utilities		**2 559**	2 380	**2 533**	2 379
	Student related expenditure		**1 971**	1 431	**1 963**	1 423
	Library		**3 238**	1 709	**3 238**	1 708
	Software		**1 979**	2 140	**1 875**	2 040
	Postage and freight		**931**	956	**930**	925
	Insurance		**1 001**	1 157	**923**	1 090
	Other expenses		**4 934**	6 073	**3 032**	2 863
	Total other expenses		**73 989**	68 682	**65 616**	58 765
15.	**Cash and cash equivalents**					
	Cash at bank and on hand		**20 914**	2 346	**19 273**	1 448
	Cash deposits at call within three days		**1 586**	31 831	**-**	31 015
	Term deposits maturing within 90 days		**69 205**	45 000	**69 205**	45 000
	Total cash and cash equivalents	40	**91 705**	79 177	**88 478**	77 463
16.	**Receivables**					
	Current:					
	Student fees		**615**	725	**615**	725
	Provision for impaired receivables		**(480)**	(586)	**(480)**	(586)
			135	139	**135**	139
	General debtors		**18 159**	16 888	**15 976**	15 415
	Provision for impaired receivables		**(140)**	(568)	**(137)**	(568)
			18 019	16 320	**15 839**	14 847
	Subsidiary debtors		**-**	-	**488**	433
	Provision for impaired receivables		**-**	-	**(47)**	(433)
			-	-	**441**	-
	Deferred government contribution for superannuation	34	**2 100**	1 900	**2 100**	1 900
	Total current receivables		**20 254**	18 359	**18 515**	16 886
	Non-current:					
	General debtors		**1 059**	1 247	**1 059**	1 247
			1 059	1 247	**1 059**	1 247
	Deferred government contribution for superannuation	34	**28 100**	26 800	**28 100**	26 800
	Total non-current receivables		**29 159**	28 047	**29 159**	28 047
	Total trade and other receivables		**49 413**	46 406	**47 674**	44 933

(a) *Impaired receivables*

As at 31 December 2008 current receivables of the group with a nominal value of $701 000 ($1.293 million) were impaired. The amount of the Consolidated provision was $620 000 ($1.154 million). The provision is based on an aged analysis of the debt types based on collectability. It was assessed that a portion of the debts are expected to be recovered. The ageing of these receivables are as follows:

	Consolidated		University	
	2008	2007	**2008**	2007
Student fees:	**$'000**	$'000	**$'000**	$'000
Three to six months	**82**	139	**82**	139
Over six months	**258**	392	**258**	392
	340	531	**340**	531
General debtors:				
Three to six months	**56**	256	**56**	256
Over six months	**81**	312	**81**	312
	137	568	**137**	568
Subsidiary debtors:				
Three to six months	**-**	-	**-**	-
Over six months	**-**	-	**416**	433
	-	-	**416**	433

As at 31 December 2008 current receivables of the group with a nominal value of $18.182 million ($8.854 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	Consolidated		University	
	2008	2007	**2008**	2007
Student Fees:	**$'000**	$'000	**$'000**	$'000
Less than 3 months	**86**	28	**86**	28
Three to six months	**37**	70	**37**	70
Over six months	**12**	41	**12**	41
	135	139	**135**	139
General Debtors:				
Less than 3 months	**17 883**	15 976	**15 675**	14 292
Three to six months	**118**	193	**118**	313
Over six months	**46**	19	**46**	242
	18 047	16 188	**15 839**	14 847

Movements in the provision for impaired receivables are as follows:

At 1 January	**1 154**	991
Provision for impairment recognised (derecognised) during the year	**(532)**	460
Receivables written off during the year as uncollectable	**(2)**	(297)
At 31 December	**620**	1 154

(b) *Foreign exchange and interest rate risk*

The carrying amounts of current receivables are denominated in the following currencies:

NZ dollars	**10**	10	**10**	-
US dollars	**27**	8	**4**	8
Euro	**48**	-	**48**	-
Singapore dollars	**-**	18	**-**	18
Other	**-**	8	**-**	8
	85	44	**62**	34

The carrying amounts of all non-current receivables are denominated in Australian dollars.

Information regarding the effective interest rate risk of both current and non-current receivables is set out in the Financial risk management disclosures at Note 28.

(c) *Fair value and credit risk*

The carrying value is assumed to approximate their fair value for all receivables. For non-current receivables, fair values are based on cash flows discounted using a discount rate of 8 percent (8 percent) for general receivables. The superannuation receivable is always offset by a corresponding payable, nullifying credit risk for this line item

The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of receivables. The Economic entity does not hold any collateral as security.

Information regarding the effective credit risk of both current and non-current receivables in set out in the Financial risk management disclosures at Note 28.

17. Inventories

	Consolidated		University	
	2008	2007	**2008**	2007
Current:	**$'000**	$'000	**$'000**	$'000
Inventories held for other than distribution	**529**	487	**211**	209
Total current inventories	**529**	487	**211**	209
Total inventories	**529**	487	**211**	209

18. Other financial assets

	Consolidated		University	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current:				
Held-to-maturity assets:				
Term deposits greater than 90 days	**-**	500	**-**	500
Total current held-to-maturity assets	**-**	500	**-**	500
Financial assets at fair value through profit or loss:^				
Managed funds:				
Deutsche Bank Private Wealth Management	**2 581**	3 322	**2 581**	3 322
Goldman Sachs JB Were	**271**	397	**271**	397
Unisure Pty Ltd*	**-**	6 361	**-**	6 361
	2 852	10 080	**2 852**	10 080
Property:				
Property trust	**56**	198	**51**	134
	56	198	**51**	134
Equities:				
Australian equities	**7 283**	9 364	**6 280**	8 005
Convertible notes	**-**	13	**-**	-
	7 283	9 377	**6 280**	8 005
Total financial assets at fair value through profit or loss	**10 191**	19 655	**9 183**	18 219
Total current other financial assets	**10 191**	20 155	**9 183**	18 719

^ Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue in the Income Statement and disclosed in Note 5.

* An amount of $2.585 million in Unisure managed funds was converted to cash during 2008.

		Consolidated		University	
		2008	2007	**2008**	2007
Non-current:	Note	**$'000**	$'000	**$'000**	$'000
Held-to-maturity assets:					
Indexed bonds		**2 697**	2 688	**2 697**	2 688
Total non-current held-to-maturity assets		**2 697**	2 688	**2 697**	2 688
Available-for-sale financial assets:					
Interests in business undertakings:					
Subsidiaries at Council valuation	36	**-**	-	**8 845**	8 388
Other entities		**2 704**	1 516	**2 704**	1 516
International equities		**841**	450	**-**	-
Australian equities		**3 243**	3 243	**-**	-
Total available-for-sale financial assets		**6 788**	5 209	**11 549**	9 904
Superannuation scheme surplus:					
Surplus in Superannuation Scheme No. 1	34	**-**	255	**-**	255
Total superannuation scheme surplus		**-**	255	**-**	255
Total non-current other financial assets		**9 485**	8 152	**14 246**	12 847
Total other financial assets		**19 676**	28 307	**23 429**	31 566

Held-to-maturity assets impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets.

None of the held-to-maturity assets are either past due or impaired.

All held-to-maturity assets are denominated in Australian currency. As a result there is no exposure to foreign currency risk. There is also no exposure to price risk as the assets will be held-to-maturity.

19. Other non-financial assets

	Consolidated		University	
	2008	2007	**2008**	2007
Current:	**$'000**	$'000	**$'000**	$'000
Prepayments	**5 481**	3 075	**5 461**	3 078
Total other non-financial assets	**5 481**	3 075	**5 461**	3 078

20. Investment property

	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
Non-current:				
Properties held for investment purposes	**10 259**	11 134	**10 259**	11 134
	10 259	11 134	**10 259**	11 134
Movements for the period:				
Opening balance at 1 January	**11 134**	5 855	**11 134**	5 855
Additions for the year	**125**	-	**125**	-
Revaluation for the year	**(1 000)**	5 279	**(1 000)**	5 279
Closing balance at 31 December	**10 259**	11 134	**10 259**	11 134
Amounts recognised in profit and loss for investment properties:				
Rental income	**903**	860	**975**	966
Direct operating expenses (income generating)	**211**	393	**242**	442
Direct operating expenses (non-income generating)	**125**	194	**96**	145
Total net amount recognised in profit and loss	**567**	273	**637**	379

21. Property, plant and equipment

	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
Land, buildings and infrastructure				
Crown land:				
2008 independent valuation	**34 070**	-	**34 070**	-
2007 independent valuation	**-**	32 150	**-**	32 150
	34 070	32 150	**34 070**	32 150
Freehold land:				
2008 independent valuation	**3 260**	-	**3 260**	-
2007 independent valuation	**-**	2 947	**-**	2 947
	3 260	2 947	**3 260**	2 947
Total land	**37 330**	35 097	**37 330**	35 097
Buildings:				
2007 independent valuation	**165 211**	165 211	**165 211**	165 211
At cost	**53 881**	-	**53 881**	-
Total buildings	**219 092**	165 211	**219 092**	165 211
Infrastructure:				
2008 Council valuation	**26 974**	-	**26 974**	-
2007 independent valuation	**-**	27 615	**-**	27 615
At cost	**451**	-	**451**	-
Total infrastructure	**27 425**	27 615	**27 425**	27 615
	246 517	192 826	**246 517**	192 826
Accumulated depreciation	**(6 238)**	-	**(6 238)**	-
Total buildings and infrastructure	**240 279**	192 826	**240 279**	192 826
Buildings under construction	**5 248**	21 473	**5 201**	21 426
Total land, buildings and infrastructure	**282 857**	249 396	**282 810**	249 349
Library collection				
2007 University valuation	**21 130**	21 130	**21 130**	21 130
At cost	**2 501**	-	**2 501**	-
	23 631	21 130	**23 631**	21 130
Accumulated depreciation	**(4 238)**	-	**(4 238)**	-
Total library collection	**19 393**	21 130	**19 393**	21 130
Equipment:				
At fair value	**39 318**	36 301	**37 124**	33 990
Accumulated depreciation	**(26 243)**	(25 429)	**(24 493)**	(23 720)
Total equipment	**13 075**	10 872	**12 631**	10 270
Aircraft:				
At University valuation	**1 620**	1 620	**1 620**	1 620
At cost	**570**	570	**570**	570
Accumulated depreciation	**(1 595)**	(1 376)	**(1 595)**	(1 376)
Total aircraft	**595**	814	**595**	814
Works of art:				
2008 University valuation	**7 133**	-	**7 133**	-
2007 University valuation	**-**	7 816	**-**	7 816
Total works of art	**7 133**	7 816	**7 133**	7 816
Total property, plant and equipment	**323 053**	290 028	**322 562**	289 379

Valuations of land and buildings

Land, buildings and infrastructure were revalued as at 31 December 2007 and 31 December 2008 by Peter Lornie, BComm(VFM), AAPI, CPV and Richard Wood, BAppSc(Val), AAPI, CPV of Southwick Goodyear Pty Ltd. The basis of the valuation was written down current value (existing use).

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below.

		Land	Buildings and infra-structure	Constr-uction in progress	Library	Equip-ment	Aircraft	Works of art	**2008 Total**
(a)	***Consolidated 2008***	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
	Balance at 1 January	35 097	192 826	21 473	21 130	10 872	814	7 816	**290 028**
	Additions	-	451	37 656	2 848	5 498	-	102	**46 555**
	Reclassification	-	53 881	(53 881)	-	-	-	-	**-**
	Disposals	-	-	-	-	(559)	-	-	**(559)**
	Revaluation increments (decrements)	2 233	(641)	-	-	-	-	(785)	**807**
	Depreciation expense	-	(6 238)	-	(4 585)	(2 736)	(219)	-	**(13 778)**
	Carrying amount at 31 December	37 330	240 279	5 248	19 393	13 075	595	7 133	**323 053**
(b)	***Parent entity 2008***								
	Balance at 1 January	35 097	192 826	21 426	21 130	10 270	814	7 816	**289 379**
	Additions	-	451	37 656	2 848	5 516	-	102	**46 573**
	Reclassification	-	53 881	(53 881)	-	-	-	-	**-**
	Disposals	-	-	-	-	(559)	-	-	**(559)**
	Revaluation increments (decrements)	2 233	(641)	-	-	-	-	(785)	**807**
	Depreciation expense	-	(6 238)	-	(4 585)	(2 596)	(219)	-	**(13 638)**
	Carrying amount at 31 December	37 330	240 279	5 201	19 393	12 631	595	7 133	**322 562**

		Land	Buildings and infra-structure	Constr-uction in progress	Library	Equip-ment	Aircraft	Works of art	2007 Total
(a)	***Consolidated 2007***	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January	23 294	101 761	5 795	16 826	10 138	1 034	6 973	165 821
	Additions	-	1 960	19 327	3 950	4 434	-	143	29 814
	Reclassification	-	3 649	(3 649)	-	-	-	-	-
	Disposals	-	-	-	-	(389)	-	-	(389)
	Revaluation increments (decrements)	11 803	88 185	-	4 125	-	-	700	104 813
	Depreciation expense	-	(2 729)	-	(3 771)	(3 311)	(220)	-	(10 031)
	Carrying amount at 31 December	35 097	192 826	21 473	21 130	10 872	814	7 816	290 028
(b)	***Parent entity 2007***								
	Balance at 1 January	23 294	101 761	5 795	16 826	9 405	1 034	6 973	165 088
	Additions	-	1 960	19 280	3 950	4 394	-	143	29 727
	Reclassification	-	3 649	(3 649)	-	-	-	-	-
	Disposals	-	-	-	-	(389)	-	-	(389)
	Revaluation increments (decrements)	11 803	88 185	-	4 125	-	-	700	104 813
	Depreciation expense	-	(2 729)	-	(3 771)	(3 140)	(220)	-	(9 860)
	Carrying amount at 31 December	35 097	192 826	21 426	21 130	10 270	814	7 816	289 379

Note: The University has restrictions imposed on the real property listed in this Note under *The Flinders University of South Australia Act 1966*. Section 3(5) of the Act states:

The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.

22. Intangible assets

	Consolidated		University	
	2008	2007	**2008**	2007
Non-current:	**$'000**	$'000	**$'000**	$'000
Software costs	**7 488**	6 385	**7 488**	6 385
Accumulated amortisation and impairment	**(4 475)**	(3 711)	**(4 475)**	(3 711)
Book value of software costs	**3 013**	2 674	**3 013**	2 674
Project costs carried forward (development costs)	**340**	111	**-**	-
Total intangible assets	**3 353**	2 785	**3 013**	2 674

	Software Costs	Project Costs	**Total**
Consolidated:			
At 1 January 2007:	$'000	$'000	**$'000**
Cost	5 786	1 992	**7 778**
Accumulated amortisation and impairment	(2 969)	(270)	**(3 239)**
Net book amount	2 817	1 722	**4 539**
Year ended 31 December 2007:			
Opening net book amount	2 817	1 722	**4 539**
Additions	1 334	-	**1 334**
Disposals	(735)	(101)	**(836)**
Impairment charge	(137)	(1 510)	**(1 647)**
Amortisation charge	(605)	-	**(605)**
Closing net book amount	2 674	111	**2 785**
At 1 January 2008:			
Cost	6 385	1 891	**8 276**
Accumulated amortisation and impairment	(3 711)	(1 780)	**(5 491)**
Net book amount	2 674	111	**2 785**
Year ended 31 December 2008:			
Opening book amount	2 674	111	**2 785**
Additions	1 103	2 006	**3 109**
Disposals	-	-	**-**
	3 777	2 117	**5 894**
Impairment charge	-	(1 777)	**(1 777)**
Amortisation charge	(764)	-	**(764)**
Closing net book amount	3 013	340	**3 353**
At 31 December 2008:			
Cost	7 488	3 998	**11 486**
Accumulated amortisation and impairment	(4 475)	(3 658)	**(8 133)**
Net book amount	3 013	340	**3 353**

23. Trade and other payables

	Consolidated		University	
	2008	2007	**2008**	2007
Current:	**$'000**	$'000	**$'000**	$'000
Creditors	**5 637**	1 736	**5 598**	1 016
OS-HELP liability to Australian Government	**145**	77	**145**	77
Accrued expenses	**11 932**	13 738	**9 047**	12 757
Annual leave on-costs	**1 569**	1 343	**1 548**	1 319
Long service leave on-costs	**3 238**	2 265	**3 221**	2 251
Total current trade and other payables	**22 521**	19 159	**19 559**	17 420
Non-current:				
Annual leave on-costs	**907**	614	**899**	608
Long service leave on-costs	**2 508**	3 200	**2 499**	3 185
Total non-current trade and other payables	**3 415**	3 814	**3 398**	3 793
Total trade and other payables	**25 936**	22 973	**22 957**	21 213

(a) Foreign currency risk

The carrying amounts of the University and Economic entity's trade payables are denominated in the following foreign currencies:

Euro	**92**	32	**92**	32
US dollars	**347**	171	**347**	171
GBP	**34**	28	**34**	28
Other	**31**	13	**31**	13
	504	244	**504**	244

(b) Fair value

The carrying amounts shown above approximate fair value.

24. Provisions

	Consolidated		University	
	2008	2007	**2008**	2007
Current provisions expected to be settled within 12 months:	**$'000**	$'000	**$'000**	$'000
Employee benefits:				
Annual leave	**5 363**	4 634	**5 160**	4 437
Long service leave	**10 944**	8 071	**10 761**	7 998
Deferred government benefits for superannuation	**2 100**	1 900	**2 100**	1 900
Severance (contract employees) and redundancies	**266**	132	**266**	132
Other employee entitlements	**166**	-	**166**	-
Total employee benefits	**18 839**	14 737	**18 453**	14 467
Workers compensation	**401**	524	**401**	524
Total current provisions	**19 240**	15 261	**18 854**	14 991
Non-current:				
Employee benefits:				
Annual leave	**3 023**	2 065	**2 999**	2 047
Long service leave	**8 532**	11 525	**8 350**	11 316
Deferred government benefits for superannuation	**28 100**	26 800	**28 100**	26 800
Severance	**58**	197	**58**	197
Invalidity scheme	**-**	153	**-**	153
Total employee benefits	**39 713**	40 740	**39 507**	40 513
Workers compensation	**539**	1 306	**539**	1 306
Total non-current provisions	**40 252**	42 046	**40 046**	41 819
Total provisions	**59 492**	57 307	**58 900**	56 810
Reconciliation of employee benefits:				
Current employee benefits	**18 839**	14 737	**18 453**	14 467
Non-current employee benefits	**39 713**	40 740	**39 507**	40 513
Leave on-costs (included in Note 23)	**8 222**	7 422	**8 167**	7 363
Aggregate employee benefits	**66 774**	62 899	**66 127**	62 343
Reconciliation of leave provisions:				
Annual leave	**8 386**	6 699	**8 159**	6 484
Annual leave on-costs	**2 476**	1 957	**2 447**	1 927
Total annual leave provision	**10 862**	8 656	**10 606**	8 411
Long service leave	**19 476**	19 596	**19 111**	19 314
Long service leave on-costs	**5 746**	5 465	**5 720**	5 436
Total long service leave provision	**25 222**	25 061	**24 831**	24 750
Total leave provisions	**36 084**	33 717	**35 437**	33 161

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2008	**Workers compensation $'000**
Current:	
Carrying amount at 1 January	**524**
Additional provisions recognised	**-**
Unused amounts reversed	**(123)**
Carrying amount at 31 December	**401**
Non-Current:	
Carrying amount at 1 January	**1 306**
Additional provisions recognised	**-**
Unused amounts reversed	**(767)**
Carrying amount at 31 December	**539**

25. Other Liabilities

	Consolidated		University	
Current:	**2008**	2007	**2008**	2007
Income in advance:	**$'000**	$'000	**$'000**	$'000
Fees and charges	**4 534**	3 394	**4 409**	3 320
Other	**114**	4 512	**338**	3 298
	4 648	7 906	**4 747**	6 618
Funds held on behalf of external entities	**466**	625	**466**	625
Total current other liabilities	**5 114**	8 531	**5 213**	7 243

25. Other liabilities (continued)

	Consolidated		University	
	2008	2007	**2008**	2007
Interest-bearing funds held on behalf of external entities:	**$'000**	$'000	**$'000**	$'000
Student entities	**-**	-	**2 065**	2 066
Other entities	**1 733**	1 255	**1 733**	1 255
Deposits from subsidiaries	**-**	-	**528**	1 673
Total current unsecured interest bearing liabilities	**1 733**	1 255	**4 326**	4 994

Interest bearing liabilities consist of funds held at the request of related entities. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

		Consolidated		University	
		2008	2007	**2008**	2007
	Note	**$'000**	$'000	**$'000**	$'000
Total other liabilities		**6 847**	9 786	**9 539**	12 237

26. Reserves and retained surpluses

(a) Reserves

	Note				
Asset revaluation reserve:					
Property, plant and equipment revaluation reserve		**124 203**	123 396	**124 025**	123 218
Available-for-sale investments revaluation reserve		**2 293**	1 020	**9 886**	8 311
Total asset revaluation reserve		**126 496**	124 416	**133 911**	131 529
Capital reserve		**8 582**	8 582	**8 582**	8 582
Endowment reserve		**11 737**	14 037	**11 737**	14 037
Grant reserve		**40 103**	15 085	**40 103**	15 085
Student loan reserve		**528**	535	**528**	535
Total reserves		**187 446**	162 655	**194 861**	169 768
Movements in revaluation reserves:					
Property, plant and equipment revaluation reserve:					
Balance 1 January		**123 396**	19 254	**123 218**	18 556
Increment (Decrement) on revaluation of:					
Land	21	**2 233**	11 803	**2 233**	11 803
Buildings and infrastructure	21	**(641)**	88 185	**(641)**	88 185
Library	21	**-**	4 125	**-**	4 125
Artwork	21	**(785)**	700	**(785)**	700
Reversal of 2004 building decrement		**-**	(671)	**-**	(151)
Balance 31 December		**124 203**	123 396	**124 025**	123 218
Available-for-sale investments revaluation reserve:					
Balance 1 January		**1 020**	377	**8 311**	8 716
Increment (Decrement) on revaluation		**1 273**	643	**1 575**	(405)
Balance 31 December		**2 293**	1 020	**9 886**	8 311
Endowment reserve:					
Balance 1 January		**14 037**	8 710	**14 037**	8 710
Allocation from current year operating surplus		**-**	5 327	**-**	5 327
Current year usage of funds		**(2 300)**	-	**(2 300)**	-
Balance 31 December		**11 737**	14 037	**11 737**	14 037
Grant reserve:					
Balance 1 January		**15 085**	18 947	**15 085**	18 947
Allocation from current year operating surplus		**25 018**	-	**25 018**	-
Current year usage of funds		**-**	(3 862)	**-**	(3 862)
Balance 31 December		**40 103**	15 085	**40 103**	15 085
Student loan reserve:					
Balance 1 January		**535**	518	**535**	518
Allocation from current year operating surplus		**(7)**	17	**(7)**	17
Balance 31 December		**528**	535	**528**	535

(b) Retained surplus

Movements in retained surplus were as follows:	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
Retained surplus at 1 January	**208 676**	183 380	**200 408**	173 268
Operating result for the period	**38 036**	26 887	**37 388**	28 731
Movements in Super Scheme No. 1 surplus	**(255)**	(109)	**(255)**	(109)
Transfers (to) from reserves	**(22 711)**	(1 482)	**(22 711)**	(1 482)
Retained Surplus at 31 December	**223 746**	208 676	**214 830**	200 408

(c) Nature and purpose of reserves

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The capital reserve is used to record funds dedicated to capital projects.

The endowment reserve is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant reserve is used to record the accumulated balance of funds restricted to grant research.

The student loan reserve is funds reserved for the purpose of providing loans to students.

27. Minority interest

Interest in:	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
Retained surplus	**2**	2	**-**	-
Total minority interest	**2**	2	**-**	-

28. Financial risk management

The Economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The University has a comprehensive suite of policies that deal with risk management including financial instrument risk.

The nature of the University's activities are generally lower risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. The University's investment policy requires investments to have a minimum credit rating of A. Derivative instruments are not used. The University holds funds behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns.

The following is the Economic entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised financial instruments	Note	Accounting policies	Terms and conditions
(i) Financial Assets			
Cash at bank	1(d),15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within three days	15	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term deposits	15	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government securities (excluding indexed bonds)	18	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Indexed bonds	18	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Equities	18	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Managed Funds	18	Recognised at market value.	Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December.
Interest in business undertakings	18	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Investment properties	20	Recognised at fair value.	Independently valued every three years - refer Note 1(e) for details of most recent valuation.
Receivables	16	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (Provision for doubtful debts).	Credit is allowed for a 30 day term.

Recognised financial instruments	Note	Accounting policies	Terms and conditions
(ii) Financial Liabilities			
Trade creditors and accruals	23	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Economic entity.	Trade liabilities are normally settled within 30 days of statement.
Interest bearing liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short-term investments.

Net fair value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

The Economic entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

Interest rate risk exposure 2008

	Floating interest rate $'000	1 year or Less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	**2008 Total $'000**
Financial assets:									
Current assets:									
Cash and cash equivalents	22 500	69 205	-	-	-	-	-	-	**91 705**
Receivables	-	-	-	-	-	-	-	20 254	**20 254**
Other financial assets	-	-	-	-	-	-	-	10 191	**10 191**
Total current assets	22 500	69 205	-	-	-	-	-	30 445	**122 150**
Non-current assets:									
Receivables	-	-	-	-	-	-	-	29 159	**29 159**
Other financial assets	-	-	2 697	-	-	-	-	6 788	**9 485**
Total non-current assets	-	-	2 697	-	-	-	-	35 947	**38 644**
Total financial assets	22 500	69 205	2 697	-	-	-	-	66 392	**160 794**
Weighted average interest rate - percent	3.75	6.06	4.00	-	-	-	-		
Financial liabilities:									
Current liabilities:									
Payables	-	-	-	-	-	-	-	22 521	**22 521**
Other liabilities	1 733	-	-	-	-	-	-	5 114	**6 847**
Total current liabilities	1 733	-	-	-	-	-	-	27 635	**29 368**
Non-current liabilities:									
Payables	-	-	-	-	-	-	-	3 415	**3 415**
Total non-current liabilities	-	-	-	-	-	-	-	3 415	**3 415**
Total financial liabilities	1 733	-	-	-	-	-	-	31 050	**32 783**
Weighted average interest rate - percent	6.02								
Net financial assets (liabilities)	**20 767**	**69 205**	**2 697**	**-**	**-**	**-**	**-**	**35 342**	**128 011**

Interest Rate Risk Exposure 2007

	Floating interest rate $'000	1 year or Less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	2007 Total $'000
Financial assets:									
Current assets:									
Cash and cash equivalents	33 711	45 466	-	-	-	-	-	-	79 177
Receivables	-	-	-	-	-	-	-	18 359	18 359
Other financial assets	-	500	-	-	-	-	-	19 655	20 155
Total current assets	33 711	45 966	-	-	-	-	-	38 014	117 691
Non-current assets:									
Receivables	-	-	-	-	-	-	-	28 047	28 047
Other financial assets	-	-	-	2 688	-	-	-	5 464	8 152
Total non-current assets	-	-	-	2 688	-	-	-	33 511	36 199
Total financial assets	33 711	45 966	-	2 688	-	-	-	71 525	153 890
Weighted average interest rate - percent	6.16	6.99	-	4.00	-	-	-		

Interest Rate Risk Exposure 2007 (continued)

Financial liabilities:	Floating interest rate $'000	1 year or Less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	2007 Total $'000
Current liabilities:									
Payables	-	-	-	-	-	-	-	19 159	19 159
Other liabilities	1 255	-	-	-	-	-	-	8 531	9 786
Total current liabilities	1 255	-	-	-	-	-	-	27 690	28 945
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 814	3 814
Total non-current liabilities	-	-	-	-	-	-	-	3 814	3 814
Total financial liabilities	1 255	-	-	-	-	-	-	31 504	32 759
Weighted Average Interest rate - percent	6.48	-	-	-	-	-	-		
Net financial assets (liabilities)	32 456	45 966	-	2 688	-	-	-	40 021	121 131

The University does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The main risks the Economic entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The University has no borrowings and therefore its interest rate risk exposure is on the income side only. As at 31 December 2008 the University held $70.8 million ($76.8 million) in term deposits and short-term deposits earning interest at market rates. Refer Note 15.

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic entity's exposure to foreign exchange risk is limited to its investments in international equities of $841 000 ($450 000) and a component of its managed funds that are invested in international equities/international fixed interest.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Balance Sheet and Notes to the financial statements. Except for the following concentration of credit risk, the Economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic entity:

- Superannuation receivable from DEEWR of $30.2 million ($28.7 million).

Liquidity risk is the risk that financial obligations will not be able to be met when they fall due. The University manages liquidity risk by monitoring forecast cash flows and maintains sufficient cash to maintain short-term flexibility and enable the University to meet financial commitments in a timely manner.

Sensitivity analysis

The following table summarises the sensitivity of the Economic Entity's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

		Interest rate risk				Price risk			
2008	Carrying	-1%		+1%		-1%		+1%	
	amount	Result	Equity	Result	Equity	Result	Equity	Result	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	91 705	(917)	(917)	917	917	-	-	-	-
Receivables	49 413	-	-	-	-	-	-	-	-
Investments	19 676	(3)	(3)	3	3	126	126	(126)	(126)
Financial liabilities:									
Payables	25 936	-	-	-	-	-	-	-	-
Other financial liabilities	6 847	17	17	(17)	(17)	-	-	-	-
Total increase (decrease)	**128 011**	**(903)**	**(903)**	**903**	**903**	**126**	**126**	**(126)**	**(126)**

The interest rate risk on other financial liabilities not included above is nil as these funds are invested on behalf of related entities and they bear the interest rate risk. No sensitivity analysis has been prepared for foreign exchange risk as the risks are immaterial.

The above sensitivity analysis has been prepared on the assumption that all other variables remain constant.

29. Disaggregated information

The University operates in the field of higher education in Australia and provides teaching and research services. It has no material offshore operations.

30. Key management personnel disclosures

30.1 Responsible persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex officio members or elected staff members.

30.1 Responsible persons (continued)

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

(a) Names of responsible persons

Council members in 2008

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

Members ex officio

Chancellor
Sir Eric J Neal, AC, CVO

Vice-Chancellor
Professor Michael N Barber*

Presiding member of the Academic Senate
Professor Andrew W Parkin (to 30 June 2008)*
Professor Marika Tiggermann (from 1 July 2008)*

Members appointed by the Council
Nicholas Begakis, AM
Leonie J Clyne
John G Hood
The Hon Dr Diana Laidlaw, AM
Peggy Lau Flux
Mary P Mitchell
Judith M Roberts, AO
Michael S Shanahan, AM
Austin R Taylor
Ian G Yates, AM

Member co-opted and appointed by the Council
Thomas R Phillips, AM

Members elected by the academic staff
Professor Gary Davis*
Associate Professor Tracey A Bunda*

Members elected by the general staff
Jane L Bromley*
Dr Leonie H Hardcastle (from 19 May 2008)*
Jan Schmortte (to 17 March 2008)*

Student members appointed by Council
Anna Hall
C Amanda Muller
Samuel D Taylor

Directors of University subsidiaries in 2008

Persons listed were Directors for the full year unless otherwise indicated.

Flinders Bioremediation Pty Ltd
Professor Andrew Ball (Chair)
Ms Rhonda Domin (from 1 January 2008)
Mr John Phillips (resigned March 2008)
Mr Tony Read (resigned March 2008)

Flinders Campus Community Services
Mr John Hood (Acting Chair) (Jan -July 08)
Mr Peter Hogan (Director/Chair) (to July/from Aug 08)
Mr Joey Mazanek
Mr Michael Simms
Ms Michelle Tatyzo
Mr Mark King
Mr Kim Roberts
Mr Andrew McHugh
Mr Andrew Nairn
Mr Evan Wastell
Mr Matthew Kilgariff
Ms Lucy Richards
Mr Chris Wong
Mr Heath McCallum

Flinders Consulting Pty Ltd
Ms Leonie Clyne (Chair)
Ms Elaine Melhuish

Flinders Reproductive Medicine Pty Ltd [1]
Ms Barbara Fergusson (Chair)
Ms Donna Howlett (from 9 October 2008)
Professor Marc Keirse (to 7 August 2008)
Dr Enzo Lombardi (Acting Medical Director)
Emeritus Professor Colin Matthews (from 7 August 2008)
Ms Margaret Smith (from 8 April 2008)
Mr Nick Swann (to October 2008)
Mr Michael Szwarcbord (to 8 April 2008)

Flinders Partners Pty Ltd
Mr John Branson (Chair)
Mr Anthony Francis (Managing Director)
Ms Leonie Clyne
Mrs Janet Grieve
Mr Geoffrey Pitt
Professor Christopher Marlin
Ms Elaine Melhuish

Flinders MediTech Pty Ltd [2]
Mr John Branson (Chair)
Mr Anthony Francis
Mrs Janet Grieve
Professor Christopher Marlin
Mr Geoffrey Pitt

MediMolecular Pty Ltd [3]
Mr John Branson (Chair)

Pancadia Pty Ltd [2]
Mr John Branson (Chair)
Mr Anthony Francis

Re-Time Pty Ltd [2]
Mr John Branson (Chair)
Mrs Janet Grieve
Professor Christopher Marlin
Mr Geoffrey Pitt

Lung Health Diagnostics Pty Ltd
Professor Christopher Marlin (Chair)

National Institute of Labour Studies Inc
Mr Mike Terlet, AO (Chair)
Ms Jan Andrews
Professor John Browett
Mr John Lesses, AM
Professor Bill Martin
Professor Sue Richardson

National Institute of Labour Studies Foundation Inc [4]
Mr Bruce Sheldrick (Chair)
Mr Hedley Bachmann
Professor John Browett
Mr Peter Dewhurst
Professor Jonathon Pincus

Remuneration of Board members

The table comprises total remuneration that falls within the prescribed bandwidths for Board members. Remuneration for executive officers who are also Directors is shown as zero in this table, with their total remuneration shown under 'Remuneration of executive officers'.

1 100 percent owned by Flinders Consulting Pty Ltd.
2 100 percent owned by Flinders Partners Pty Ltd.
3 75 percent owned by Flinders Partners Pty Ltd.
4 National Institute of Labour Studies Inc Subsidiary.

Remuneration of Board members (continued)

	Consolidated		University	
	2008	2007	**2008**	2007
	Number	Number	**Number**	Number
$nil	**75**	81	**23**	22
$1 - $9 999	**1**	4	**-**	-
$10 000 - $19 999	**-**	2	**-**	-
$20 000 - $29 999	**5**	3	**-**	-
$30 000 - $39 999	**1**	1	**-**	-
	82	91	**23**	22

	Consolidated		University	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Aggregate remuneration of Board members	**148**	143	**-**	-

30.2 Key management personnel

Remuneration of key management personnel

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over $100 000:

	Consolidated		University	
	2008	2007	**2008**	2007
	Number	Number	**Number**	Number
$110 000 - $119 999	**1**	1	**-**	1
$120 000 - $129 999	**1**	2	**-**	-
$140 000 - $149 999	**-**	1	**-**	1
$150 000 - $159 999	**2**	-	**1**	-
$180 000 - $189 999	**-**	1	**-**	1
$190 000 - $199 999	**1**	-	**1**	-
$200 000 - $209 999	**1**	2	**-**	1
$210 000 - $219 999	**1**	1	**1**	1
$220 000 - $229 999	**2**	2	**2**	2
$250 000 - $259 999	**-**	2	**-**	2
$260 000 - $269 999	**3**	2	**3**	1
$270 000 - $279 999	**1**	-	**1**	-
$430 000 - $439 999	**1**	-	**1**	-
$640 000 - $649 999	**-**	1*	**-**	1*
	14	15	**10**	11

	Consolidated		University	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Aggregate remuneration of executives	**3 119**	3 453	**2 529**	2 733

* The 2007 payments to the most highly remunerated executive includes leave payments upon contract cessation.

The DEEWR Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity'.[1]

30.3 Related party transactions

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated FBT. No loans have been provided to key management personnel.

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

31. Remuneration of auditors

	Consolidated		University	
	2008	2007	**2008**	2007
Auditing the financial report:	**$'000**	$'000	**$'000**	$'000
South Australian Auditor-General	**234**	203	**234**	203
Other auditors	**44**	30	**2**	2
Total remuneration for auditing the financial report	**278**	233	**236**	205
Other auditing services:				
South Australian Auditor-General	**4**	4	**4**	4
Total remuneration for other audit services	**4**	4	**4**	4
Total remuneration for audit services	**282**	237	**240**	209

No other services were provided by the auditors who audited the financial reports.

1 Financial Statement Guidelines for Australian Higher Education Providers for the 2008 Reporting Period.

32. Contingencies

Contingent liabilities

The University is an exempt employer for WorkCover purposes. The University is required by WorkCover to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2008 the University had a bank guarantee facility of $2.718 million in place (total facility limit of $2.965 million).

Contingent assets

There are no material contingent assets.

33. Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Buildings works:				
Within one year	**6 342**	32 713	**6 342**	32 713
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	6 342	32 713	**6 342**	32 713
Plant and equipment:				
Within one year	**727**	75	**334**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	727	75	**334**	-
Intangible assets:				
Within one year	**859**	-	**859**	-
Later than one year but not later than five years	**105**	-	**105**	-
Later than five years	**50**	-	**50**	-
	1 014	-	**1 014**	-
Joint ventures:				
Within one year	**-**	-	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	-	**-**	-
Total capital commitments	**8 083**	32 788	**7 690**	32 713

(b) Lease commitments

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

	Consolidated		University	
	2008	2007	**2008**	2007
University as lessee	**$'000**	$'000	**$'000**	$'000
Total lease payments recognised as an expense during the reporting period	**1 389**	1 490	**1 332**	1 495
Commitments				
Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities, payable:				
Within one year	**1 085**	749	**1 085**	749
Later than one year but not later than five years	**1 676**	1 152	**1 676**	1 152
Later than five years	**390**	350	**390**	350
Total lease commitments as lessee	**3 151**	2 251	**3 151**	2 251
University as Lessor				
Lease receivables contracted but not included in the financial statements and receivable as follows:				
Within one year	**726**	692	**763**	728
Later than one year but not later than five years	**595**	1 026	**710**	1 101
Later than five years	**126**	158	**126**	158
Total lease commitments as lessor	**1 447**	1 876	**1 599**	1 987

In 2000 the University purchased the Mark Oliphant Building in Science Park as an investment property. As at 31 December 2008 61 percent (61 percent) of the building is leased or available for lease to entities outside the Economic entity. A further 10 percent (9 percent) is leased to entities outside the University but within the Economic entity.

(b) Lease commitments (continued)

A portion of the Remote Health Precinct property is treated as an investment property and as at 31 December 2008 81 percent (81 percent) of this investment property is leased or available for lease to entities outside the Economic entity.

The University has accommodation for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff. It also leases space to other research entities in the Port Lincoln Marine Science Centre.

(c) Other expenditure commitments

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within one year	**1 347**	1 915	**1 347**	1 915
Later than one year but not later than five years	**123**	194	**123**	194
Later than five years	**-**	100	**-**	100
Total other expenditure commitments	**1 470**	2 209	**1 470**	2 209

34. Superannuation commitments

The University contributes to the following employee superannuation funds:

(i) UniSuper

(a) UniSuper Defined Benefit Plan or Investment Choice Plan

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2008 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Whilst still technically a defined benefit plan, in 2006 the UniSuper Trust Deed was amended so that in the event that UniSuper assets are insufficient to provide benefits payable the Trustee must reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. The change in the UniSuper Trust Deed effectively alters the nature of the fund to a defined contribution fund.

(b) UniSuper Award Plus Plan

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee benefits arising under the Superannuation Guarantee Legislation.

(ii) South Australian Superannuation Scheme

The University has 82 (84) present and former employees who are members of closed State Government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State Government.

(ii) South Australian Superannuation Scheme (continued)

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2008 by the Director Superannuation, South Australian Department of Treasury and Finance, at $32.1 million ($28.7 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (refer Note 16). Recognition of the receivable from the Commonwealth is in accordance with DEEWR Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

- Rate of increase in the Consumer Price Index (CPI) 3.0 percent per annum
- Rate of salary increases 4.5 percent per annum
- Investment earnings 8.0 percent per annum

These assumptions remain the same as for the previous year.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2008	2007
	$'000	$'000
University's gross liability	**32 100**	31 300
Funded component	**(1 900)**	(2 600)
Unfunded liability	**30 200**	28 700

(iii) Superannuation Scheme No. 1

Superannuation Scheme

Prior to the inception of UniSuper, the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. The Scheme, managed by a Board of Trustees, is similar to that of UniSuper with the University contributing, as a minimum, twice that of employees. As at 31 December 2008 there were no members remaining in the Scheme (10 members) and all member benefits had been rolled into other superannuation schemes.

The administrator of the Scheme has calculated the value of members' accrued benefits:

	University	
	2008	2007
	$'000	$'000
Net Market Value	**-**	6 150
Accrued benefits	**-**	(5 895)
Surplus	**-**	255
Vested benefits	**-**	5 895

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. Total membership is 9 (9). The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the UniSuper defined benefit fund.

The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

In 2008 the University de-recognised the liability for the Scheme ($153 000) and noted a contingent liability due to inherent uncertainty regarding the timing and quantum of any future amounts that may be required to be paid under this scheme. Refer Note 24.

With the transfer of all members from Superannuation Scheme No. 1 to UniSuper, most of the potential liability has ceased since UniSuper provides equivalent benefits. The residual contingent liability only applies to invalidity arising from a pre-existing condition.

35. Related parties

Responsible persons and specified executives

Disclosures relating to Council members, Directors of subsidiaries and specified executives are set out in Note 30.

Wholly-owned economic entity

Ownership interests in subsidiaries are set out in Note 36.

36. Subsidiaries

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

		Ownership interest	
		2008	2007
Name of entity	***Principal activity***	**Percent**	Percent
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	**100**	100
Flinders Campus Community Services Pty Ltd	Provides on-campus services and support for students.	**100**	100
Flinders Consulting Pty Ltd	Conducts commercial consultancies. From 1 January 2008 Flinders Consulting merged its operations with Flinders Partners Pty Ltd	**100**	100
Flinders Reproductive Medicine Pty Ltd (subsidiary of Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service.	**100**	100
Flinders Partners Pty Ltd	Commercialisation of University sourced intellectual property and conduct of commercial consultancies.	**100**	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Medical device company.	**100**	100
MediMolecular Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Biotech company.	**75**	75
Pancadia Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Biotech company	**100**	-
Re-time Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Specialist eye-wear company.	**100**	100
Lung Health Diagnostics Pty Ltd	Biotech development company.	**60**	60
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies.	**100**	100
National Institute of Labour Studies Foundation Inc (100 percent owned by NILS Inc)	Supports the activities of NILS Inc.	**100**	100

37. Jointly Controlled Operations and Assets

(a) Joint Venture Operations and Assets

		Output interest	
		2008	2007
Name of entity	***Principal activity***	**Percent**	Percent
Centre for Remote Health	Provision of health education and research to remote areas.	**50**	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, in the Greater Green Triangle region.	**50**	50

The assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective categories:

Centre for Remote Health	Consolidated		University	
	2008	2007	**2008**	2007
Current assets:	**$'000**	$'000	**$'000**	$'000
Cash at bank	**725**	-	**725**	-
Receivables	**164**	805	**164**	805
Total current assets	**889**	805	**889**	805
Non-current assets:				
Property, plant and equipment	**2 445**	2 530	**2 445**	2 530
Total assets	**3 334**	3 335	**3 334**	3 335
Current liabilities:				
Payables	**11**	-	**11**	-
Annual leave	**29**	26	**29**	26
Long service leave	**20**	3	**20**	3
Total current liabilities	**60**	29	**60**	29

Centre for Remote Health (continued)	Consolidated		University	
	2008	2007	**2008**	2007
Current assets:	**$'000**	$'000	**$'000**	$'000
Non-current liabilities:				
Annual leave	**22**	14	**22**	14
Long service leave	**43**	61	**43**	61
Total non-current liabilities	**65**	75	**65**	75
Total liabilities	**125**	104	**125**	104
Share of assets employed in joint venture	**3 209**	3 231	**3 209**	3 231
Greater Green Triangle				
Current assets:				
Cash at bank	**967**	-	**967**	-
Receivables	**-**	799	**-**	799
Total current assets	**967**	799	**967**	799
Non-current assets:				
Property, plant and equipment	**103**	114	**103**	114
Total assets	**1 070**	913	**1 070**	913
Current liabilities:				
Annual leave	**36**	26	**36**	26
Total current liabilities	**36**	26	**36**	26
Non-current liabilities:				
Annual leave	**19**	10	**19**	10
Long service leave	**57**	36	**57**	36
Total non-current liabilities	**76**	46	**76**	46
Total liabilities	**112**	72	**112**	72
Share of assets employed in joint venture	**958**	841	**958**	841

Joint venture operations and assets

The University's joint venture operations and assets have no contingent liabilities as at 31 December 2007 ($nil).

Other

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

(b) Joint venture entities

The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per AASB 131.

Relevant disclosures are as follows:

Name of entity		***Reporting date***	***Principal activity***	**Ownership interest 2008 Percent**	Ownership interest 2007 Percent
Cooperative research					
Cooperative Research Centre for Aboriginal Health (CRCAH)	(U)	30 June	Provides a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	**15**	14
Cooperative Research Centre for Sustainable Aquaculture of Finfish (Aquafin CRC)	(U)	30 June	Provides research and education for the sustainable aquaculture of finfish in Australia.	**-**	6
Other joint venture entities					
Australian Housing and Urban Research Institute (AHURI) – Southern Research Centre	(U)	30 June	A cooperative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	**9**	8
Centre for Groundwater Studies (CGS)	(U)	31 December	A cooperative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	**13**	13
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	**-***	-*

(b) Joint venture entities (continued)

Name of entity		Reporting date	Principal activity	Ownership interest 2008 Percent	2007 Percent
Other joint venture entities (continued)					
SABRENet Ltd	(I)	30 June	Delivers high capacity broadband network services to the education and research sector.	**20**	20
South Australian Centre for Economic Studies (SACES)	(U)	31 December	Conducts research on economic issues for government and private sector bodies.	**50**	50
South Australian Consortium of Information Technology and Telecommunications Inc (SACITT)	(I)	31 December	Explores collaborative IT&T research and development issues.	**33**	33
South Australian Partnership for Advanced Computing (SAPAC)	(U)	31 December	Supports and promote the use of advanced and high-performance computing and communications in South Australia.	**33**	33
South Australian Tertiary Admissions Centre (SATAC)	(U)	30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	**25**	25
The Centre for Innovation Inc (TCII)	(I)	30 June	To promote, encourage and facilitate continuing economic development.	**33**	33
The Ethics Centre of South Australia (ECSA)	(U)	31 December	Facilitates ethics research and teaching in South Australia.	**33**	33
Unisure Pty Ltd ^	(I)	31 December	Provision of workers' compensation services and investment of funds set aside for workers' compensation.	**33.3**	33.3

(I) Incorporated
(U) Unincorporated

* *Partner but no right to residual assets*

^ *Unisure was previously disclosed as an associate entity but is in the process of being wound up. Refer Note 1 (j) for further detail.*

(c) Other information

(1) Capital expenditure commitments
No material capital expenditure commitments.

(2) Contingent liabilities
No material contingent liabilities.

(3) After balance date events
No material after balance date events.

38. Discontinuing operations

Neither the University nor the Economic entity had discontinuing operations.

39. Events occurring after the Balance Sheet date

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Economic entity.

40. Reconciliation of operating result to net cash flows from operating activities	Consolidated 2008 $'000	Consolidated 2007 $'000	University 2008 $'000	University 2007 $'000
Operating result for the period	**38 036**	26 874	**37 388**	28 731
Non-cash items:				
Depreciation and amortisation	**14 542**	10 636	**14 402**	10 465
Asset impairment	**1 777**	1 686	**-**	137
Loss on asset derecognition	**-**	1 301	**-**	-
Net (gain) loss on sale of assets	**864**	(128)	**885**	(128)
Reversal of revaluation decrement	**-**	(671)	**-**	(151)
Net contribution of assets	**(688)**	(1 040)	**(688)**	(1 040)
Unrealised investment gains	**6 557**	(6 300)	**6 041**	(5 299)
Dividend reinvestment	**(321)**	(1 541)	**(321)**	(1 414)
Total of non-cash items	**22 731**	3 943	**20 319**	2 570

40. Reconciliation of operating result to net cash flows from operating activities (continued)

	Consolidated		University	
	2008	2007	**2008**	2007
Change in assets and liabilities:	**$'000**	$'000	**$'000**	$'000
Increase in receivables	**(3 007)**	(8 084)	**(2 741)**	(8 192)
(Increase) Decrease in inventories	**(42)**	21	**(2)**	(3)
(Increase) Decrease in other assets	**(2 406)**	958	**(2 383)**	947
Increase in payables	**2 963**	2 433	**1 744**	2 845
Increase in provisions	**3 075**	3 386	**2 980**	3 403
(Decrease) Increase in other liabilities	**(5 879)**	1 648	**(3 138)**	3 223
Net cash provided by operating activities	**55 471**	31 179	**54 167**	33 524

The cash and cash equivalents figures in Note 15 are reconciled to cash and cash equivalents at the end of the year in the Cash Flow Statement as follows:

Cash at bank and on hand	**20 914**	2 346	**19 273**	1 448
Cash deposits at call within three days:	**1 586**	31 831	**-**	31 015
Term deposits maturing within 90 days	**69 205**	45 000	**69 205**	45 000
Cash and cash equivalents balance per Balance Sheet	**91 705**	79 177	**88 478**	77 463
Bank overdraft	**-**	-	**-**	-
Balance per Cash Flow Statement	**91 705**	79 177	**88 478**	77 463

Financing facilities
Flinders University has the following arrangements with the NAB Bank:

Overdraft facility(1)	**500**	500	**500**	500
Amount used	**-**	-	**-**	-
Unused overdraft facility	**500**	500	**500**	500
Visa credit cards facility(1)	**4 070**	3 049	**4 000**	3 000
Amount used	**(404)**	(360)	**(391)**	(358)
Unused credit cards facility	**3 666**	2 689	**3 609**	2 642

(1) These facilities are unsecured.

Cash balances not available for use
All cash balances are available for use (all available).

Tax status
The activities of the University are exempt from income tax as are all but two of its wholly-owned controlled entities. Flinders Reproductive Medicine Pty Ltd, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

41. Non-cash financing and investing activities
During the reporting period the University acquired works of art and library materials with an aggregate fair value of $688 000 ($1.04 million) by means of donations. These acquisitions are not reflected in the Cash Flow Statement.

42. Assets and liabilities of trusts for which the University is trustee
The University is the trustee of the following trusts:

Trust name	*Purpose*
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

ADS students trust assets and liabilities	Consolidated		University	
	2008	2007	**2008**	2007
Current assets:	**$'000**	$'000	**$'000**	$'000
Cash at bank	**6**	798	**6**	798
Receivables	**76**	-	**76**	-
Total current assets	**82**	798	**82**	798
Non-Current Assets:				
Total non-current assets	**-**	-	**-**	-
Total assets	**82**	798	**82**	798
Current liabilities:				
Trade and other payables	**-**	706	**-**	706
Total current liabilities	**-**	706	**-**	706
Non-Current Liabilities:				
Total non-current liabilities	**-**	-	**-**	-
Total liabilities	**-**	706	**-**	706
Net assets	**82**	92	**82**	92

The funds held in trust for AUSAid are not included in the University's Income Statement and Balance Sheet.

Sir Ewen Waterman Trust
The amount held in the Sir Ewen Waterman Trust is immaterial.

Flinders Charitable Trust
A subsidiary of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders Charitable Trust. The assets and liabilities of the trust are brought to account in the Economic entity's Income Statement and Balance Sheet.

43. Entity information

Flinders University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

44. Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ARC	Australian Research Council
CGS	Commonwealth Grants Scheme
DEEWR	Department of Education, Employment and Workplace Relations
DIISR	Department of Innovation, Industry, Science and Research
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Programme
HEFA	Higher Education Funding Agreement
IFRS	International Financial Reporting Standards
NH&MRC	National Health & Medical Research Council
OS-HELP	Overseas - Higher Education Loan Programme
VSU	Voluntary student unionism

45. Acquittal of Australian Government financial assistance

45.1 DEEWR - CGS and other DEEWR grants

	Note	University only: Commonwealth Grants Scheme[1] 2008 $'000	2007 $'000	Indigenous Support Program 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**74 067**	67 642	**520**	507
Net accrual adjustments		**1 179**	674	**-**	-
Revenue for the period	2(a)	**75 246**	68 316	**520**	507
Surplus (Deficit) from the previous year		**-**	-	**-**	-
Total revenue including accrued revenue		**75 246**	68 316	**520**	507
Expenses including accrued expenses		**(75 246)**	(68 316)	**(520)**	(507)
Surplus (Deficit) for reporting period		**-**	-	**-**	-

	Note	University only: Equity Support Program 2008 $'000	2007 $'000	Disability Support Program 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**262**	252	**65**	125
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(a)	**262**	252	**65**	125
Surplus (Deficit) from the previous year		**26**	-	**-**	-
Total revenue including accrued revenue		**288**	252	**65**	125
Expenses including accrued expenses		**(288)**	(226)	**(65)**	(125)
Surplus (Deficit) for reporting period		**-**	26	**-**	-

	Note	University only: Workplace Reform Program 2008 $'000	2007 $'000	Workplace Productivity Program 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**932**	899	**222**	52
Net accrual adjustments		**-**	-	**120**	-
Revenue for the period	2(a)	**932**	899	**342**	52
Surplus (Deficit) from the previous year		**21**	-	**7**	241
Total revenue including accrued revenue		**953**	899	**349**	293
Expenses including accrued expenses		**(953)**	(878)	**(338)**	(286)
Surplus (Deficit) for reporting period		**-**	21	**11**	7

1 Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and HEFA Transition Fund.

45.1 DEEWR - CGS and other DEEWR grants (continued)

	Note	University only: Learning and Teaching Performance Fund 2008 $'000	2007 $'000	University only: Capital Development Pool 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**500**	1 926	**2 481**	1 061
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(a)	**500**	1 926	**2 481**	1 061
Surplus (Deficit) from the previous year		**895**	-	**2 969**	2 068
Total revenue including accrued revenue		**1 395**	1 926	**5 450**	3 129
Expenses including accrued expenses		**(1 063)**	(1 031)	**(1 848)**	(160)
Surplus (Deficit) for reporting period		**332**	895	**3 602**	2 969

	Note	University only: Superannuation Program 2008 $'000	2007 $'000	University only: Collaboration and Structural Reform Program 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**1 368**	1 926	**1 767**	99
Net accrual adjustments		**554**	(904)	**-**	-
Revenue for the period	2(a)	**1 922**	1 022	**1 767**	99
Surplus (Deficit) from the previous year		**-**	-	**99**	-
Total revenue including accrued revenue		**1 922**	1 022	**1 866**	99
Expenses including accrued expenses		**(1 922)**	(1 022)	**(858)**	-
Surplus (Deficit) for reporting period		**-**	-	**1 008**	99

	Note	University only: Improving Prac Comp of Teach Ed 2008 $'000	2007 $'000	University only: Transitional Cost Program 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**309**	-	**555**	-
Net accrual adjustments		**-**	-	**(52)**	-
Revenue for the period	2(a)	**309**	-	**503**	-
Surplus (Deficit) from the previous year		**-**	-	**-**	-
Total revenue including accrued revenue		**309**	-	**503**	-
Expenses including accrued expenses		**(309)**	-	**(503)**	-
Surplus (Deficit) for reporting period		**-**	-	**-**	-

	Note	University only: Total 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**83 048**	74 489
Net accrual adjustments		**1 801**	(230)
Revenue for the period	2(a)	**84 849**	74 259
Surplus (Deficit) from the previous year		**4 017**	2 309
Total revenue including accrued revenue		**88 866**	76 568
Expenses including accrued expenses		**(83 913)**	(72 551)
Surplus (Deficit) for reporting period		**4 953**	4 017

45.2 Higher Education Loan Programmes

	Note	University only: HECS-HELP (Australian Government) payments only) 2008 $'000	2007 $'000	University only: FEE-HELP 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**44 272**	37 650	**3 589**	1 917
Net accrual adjustments		**(2 132)**	2 240	**(392)**	606
Revenue for the period	2(b)	**42 140**	39 890	**3 197**	2 523
Surplus (Deficit) from the previous year		**-**	-	**-**	-
Total revenue including accrued revenue		**42 140**	39 890	**3 197**	2 523
Expenses including accrued expenses		**(42 140)**	(39 890)	**(3 197)**	(2 523)
Surplus (Deficit) for reporting period		**-**	-	**-**	-

45.2 Higher Education Loan Programmes (continued)

	Note	University only Total 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**47 861**	39 567
Net accrual adjustments		**(2 524)**	2 846
Revenue for the period	2(b)	**45 337**	42 413
Surplus (Deficit) from the previous year		**-**	-
Total revenue including accrued revenue		**45 337**	42 413
Expenses including accrued expenses		**(45 337)**	(42 413)
Surplus (Deficit) for reporting period		**-**	-

	Note	University only OS-HELP^ 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**209**	224
Net accrual adjustments		**-**	(224)
Revenue for the period		**209**	-
Liability incurred in current year		**-**	224
Liability carried forward from the previous year		**77**	31
Total liability brought forward		**286**	255
Funds remitted		**(141)**	(178)
Total liability at end of reporting period	2(i)	**145**	77

^ OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

45.3 Learning scholarships

	Note	University only Australian Postgraduate Awards 2008 $'000	2007 $'000	International Postgraduate Research Scholarships 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**1 717**	1 693	**419**	336
Net accrual adjustments		**-**	-	**(66)**	(135)
Revenue for the period	2(c)	**1 717**	1 693	**353**	201
Surplus (Deficit) from the previous year		**(105)**	(11)	**(128)**	-
Total revenue including accrued revenue		**1 612**	1 682	**225**	201
Expenses including accrued expenses		**(1 726)**	(1 787)	**(225)**	(329)
Surplus (Deficit) for reporting period		**(114)**	(105)	**-**	(128)

	Note	University only Commonwealth Education Cost Scholarships 2008 $'000	2007 $'000	Commonwealth Accommodation Scholarships 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**977**	723	**1 349**	1 149
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(c)	**977**	723	**1 349**	1 149
Surplus (Deficit) from the previous year		**255**	92	**463**	183
Total revenue including accrued revenue		**1 232**	815	**1 812**	1 332
Expenses including accrued expenses		**(842)**	(560)	**(1 283)**	(869)
Surplus (Deficit) for reporting period		**390**	255	**529**	463

	Note	University only Indigenous Access Scholarships 2008 $'000	2007 $'000	Total 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**61**	-	**4 523**	3 901
Net accrual adjustments		**-**	-	**(66)**	(135)
Revenue for the period	2(c)	**61**	-	**4 457**	3 766
Surplus (Deficit) from the previous year		**-**	-	**485**	264
Total revenue including accrued revenue		**61**	-	**4 942**	4 030
Expenses including accrued expenses		**(2)**	-	**(4 078)**	(3 545)
Surplus (Deficit) for reporting period		**59**	-	**864**	485

45.4 Commonwealth Research

		University only			
		Institutional Grants Scheme		Research Training Scheme	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)	Note	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		5 976	6 167	**10 389**	10 588
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(d)	**5 976**	6 167	**10 389**	10 588
Surplus (Deficit) from the previous year		**1 001**	1 030	**204**	192
Funds held as a liability		**-**	-	**-**	-
Total revenue including accrued revenue		**6 977**	7 197	**10 593**	10 780
Expenses including accrued expenses		**(5 054)**	(6 196)	**(10 593)**	(10 576)
Surplus (Deficit) for reporting period		**1 923**	1 001	**-**	204

		University only			
		Commercialisation Training Scheme		Research Infrastructure Block Grants	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		94	93	**2 944**	2 881
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(d)	**94**	93	**2 944**	2 881
Surplus (Deficit) from the previous year		**93**	-	**680**	644
Funds held as a liability		**-**	-	**-**	-
Total revenue including accrued revenue		**187**	93	**3 624**	3 525
Expenses including accrued expenses		**(8)**	-	**(3 280)**	(2 845)
Surplus (Deficit) for reporting period		**179**	93	**344**	680

		University only			
		Implementation Assistance Programme		Australian Scheme for Higher Education Repositories	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		102	50	**200**	106
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(d)	**102**	50	**200**	106
Surplus (Deficit) from the previous year		**-**	-	**95**	-
Funds held as a liability		**-**	-	**-**	-
Total revenue including accrued revenue		**102**	50	**295**	106
Expenses including accrued expenses		**(102)**	(50)	**(22)**	(11)
Surplus (Deficit) for reporting period		**-**	-	**273**	95

		University only	
		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000
		19 705	19 885
Net accrual adjustments		**-**	-
Revenue for the period	2(d)	**19 705**	19 885
Surplus (Deficit) from the previous year		**2 073**	1 866
Funds held as a liability		**-**	-
Total revenue including accrued revenue		**21 778**	21 751
Expenses including accrued expenses		**(19 059)**	(19 678)
Surplus (Deficit) for reporting period		**2 719**	2 073

45.5 Voluntary student unionism

		University only			
		VSU Transition Fund		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		1 732	933	**1 732**	933
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(e)	**1 732**	933	**1 732**	933
Surplus (Deficit) from the previous year		**897**	-	**897**	-
Total revenue including accrued revenue		**2 629**	933	**2 629**	933
Expenses including accrued expenses		**(2 629)**	(36)	**(2 629)**	(36)
Surplus (deficit) for reporting period		**-**	897	**-**	897

45.6 Better Universities Renewal Fund

		University only			
		BURF		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)	Note	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		8 931	-	**8 931**	-
Net accrual adjustments		**-**	-	**-**	-
Revenue for the period	2(f)	**8 931**	-	**8 931**	-
Surplus (Deficit) from the previous year		**-**	-	**-**	-
Total revenue including accrued revenue		**8 931**	-	**8 931**	-
Expenses including accrued expenses		**(30)**	-	**(30)**	-
Surplus (Deficit) for reporting period		**8 901**	-	**8 901**	-

45.7 Australian Research Council Grants

(a) Discovery

		University only			
		Projects		Fellowships	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		2 847	2 602	**167**	-
Net accrual adjustments		**304**	300	**-**	-
Revenue for the period	2(g)(i)	**3 151**	2 902	**167**	-
Surplus (Deficit) from the previous year		**1 363**	922	**-**	-
Total revenue including accrued revenue		**4 514**	3 824	**167**	-
Expenses including accrued expenses		**(2 991)**	(2 461)	**-**	-
Surplus (Deficit) for reporting period		**1 523**	1 363	**167**	-

		University Only			
		Indigenous Researchers Development		Total	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		-	-	**3 014**	2 602
Net accrual adjustments		**-**	-	**304**	300
Revenue for the period	2(g)(i)	**-**	-	**3 318**	2 902
Surplus (Deficit) from the previous year		**-**	24	**1 363**	946
Total revenue including accrued revenue		**-**	24	**4 681**	3 848
Expenses including accrued expenses		**-**	(24)	**(2 991)**	(2 485)
Surplus (Deficit) for reporting period		**-**	-	**1 690**	1 363

(b) Linkages

		University only			
		Special Research Initiatives		Infrastructure	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		161	-	**120**	300
Net accrual adjustments		**-**	170	**(38)**	(163)
Revenue for the period	2(g)(ii)	**161**	170	**82**	137
Surplus (Deficit) from the previous year		**154**	-	**216**	246
Total revenue including accrued revenue		**315**	170	**298**	383
Expenses including accrued expenses		**(123)**	(16)	**(298)**	(167)
Surplus (Deficit) for reporting period		**192**	154	**-**	216

		University only			
		International		Projects	
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
		-	-	**1 337**	1 541
Net accrual adjustments		**-**	6	**129**	14
Revenue for the period	2(g)(ii)	**-**	6	**1 466**	1 555
Surplus (Deficit) from the previous year		**4**	23	**750**	487
Total revenue including accrued revenue		**4**	29	**2 216**	2 042
Expenses including accrued expenses		**-**	(25)	**(1 347)**	(1 292)
Surplus (Deficit) for reporting period		**4**	4	**869**	750

(b) Linkages (continued)

	Note	University only Total 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**1 618**	1 841
Net accrual adjustments		**91**	27
Revenue for the period	2(g)(ii)	**1 709**	1 868
Surplus (Deficit) from the previous year		**1 124**	756
Total revenue including accrued revenue		**2 833**	2 624
Expenses including accrued expenses		**(1 768)**	(1 500)
Surplus (Deficit) for reporting period		**1 065**	1 124

(c) Networks and centres

		University only Research Networks 2008 $'000	2007 $'000	Research Centres 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**-**	-	**-**	-
Net accrual adjustments		**100**	6	**157**	164
Revenue for the period	2(g)(iii)	**100**	6	**157**	164
Surplus (Deficit) from the previous year		**49**	78	**4**	26
Total revenue including accrued revenue		**149**	84	**161**	190
Expenses including accrued expenses		**(38)**	(35)	**(168)**	(186)
Surplus (Deficit) for reporting period		**111**	49	**(7)**	4

		University only Total 2008 $'000	2007 $'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the Programs)		**-**	-
Net accrual adjustments		**257**	170
Revenue for the period	2(g)(iii)	**257**	170
Surplus (Deficit) from the previous year		**53**	104
Total revenue including accrued revenue		**310**	274
Expenses including accrued expenses		**(206)**	(221)
Surplus (Deficit) for reporting period		**104**	53

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Further Education, Employment, Science and Technology (the Department) is established as an administrative unit pursuant to the PSM Act. The Department's Chief Executive is responsible to the Minister for Employment, Training and Further Education, the Minister for Science and Information Economy and the Minister for Youth.

Functions

The Department's main function is to provide vocational education and training through Training and Further Education (TAFE) institutes and other providers outside the schooling sector. For details of the Department's functions refer to Note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

Assessment of controls

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

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

Scope of audit

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

During 2008-09, specific areas of audit attention included:

- expenditure, including grants and accounts payable
- employee benefits
- revenue, including student fees and receivables
- cash management, including bank reconciliations
- fixed assets
- general ledger
- risk management
- budgetary control.

The work of internal audit was considered in planning and conducting the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology 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, grant expenditure, student revenue, payroll, risk management, budgetary control and policies and procedures, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

Communication of audit matters

Audit matters were detailed in a management letter to the Chief Executive. Responses to the matters raised were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Audit is aware that the Department implemented changes and improvements after the interim audit was completed, however, our review considered whether effective controls were in place for the entire year.

Expenditure

The Scanning Workflow Accounts Payable (SWAP) system was implemented in May 2008. Audit review revealed some control deficiencies:

- SWAP does not ensure authorisation in line with the Delegations of Authority.
- Independent checks are not performed where scanned invoice balances are overridden in SWAP.
- A lack of segregation exists as the same officer purchases, receipts and approves payment of goods.

The Department responded that it considers the introduction of SWAP has significantly reduced the risk of unauthorised invoices being processed for payment and that the processes that are now in place through SWAP improve and appropriately manage the risk of inappropriate payments. It was also advised that the system has provided additional controls and importantly system generated notifications to those exercising delegations for payments. This response will be considered as part of the 2009-10 audit of expenditure.

In addition, the Department has investigated the lack of segregation and, although it does not consider the occurrences are frequent or high risk, it intends to resolve the issue through a system modification to be undertaken by Shared Services SA (SSSA).

Grant expenditure

The audit and testing focused on the major grant expenditure areas:

- User choice
- Employment programs – South Australian Works in the Region
- Science and technology programs – Science and Innovation.

Audit found that the effectiveness of control activities differs across each grant area leading to control breakdowns. This included a deficiency in reconciliation of payments to approved funding agreements.

The Department responded that it will undertake a review of its grant management processes and procedures with a view to establishing a Grants Management Framework with a consistent set of guiding principles. It also advised that the grant arrangements specifically referred to above have been recently reviewed and system/process changes made to optimise control activities.

Student revenue

The review focused on TAFE SA Adelaide South. Audit findings included:

- receipting staff do not check that all cash register shifts have been closed, reconciled and monies banked in a timely manner

- an independent officer does not check manually calculated student fee increases prior to upload in the Student Management System.

The Department responded that TAFE SA Adelaide South has undertaken a thorough review of the enrolment and fee collection processes which will be consolidated within the Client Service Centres for the next enrolment intake (for Semester 1, 2010).

Payroll

The audit of payroll revealed control deficiencies in the following areas:

- Although statistics have improved from last year, some managers are still not reviewing and returning bona fide certificates within the required timeframe.

- The Department does not review payroll master file information prior to or after SSSA processes changes.

- The fortnightly payroll disbursement files can be easily changed prior to disbursement as they are transferred through multiple computer network drives to which numerous Department and SSSA employees have access.

The Department responded that managers will be reminded of the need to return bona fide certificates in appropriate timeframes and will report upon and action non-performance.

It has also reviewed processes and considers the risk of inappropriate file adjustments is appropriately managed through the timing of file transfers and error message notification monitored by designated Financial Services staff.

In addition, the Department has advised that discussions have been held with SSSA regarding their component of the process and an undertaking has been given to investigate tighter system controls. This will be formalised and Service Level Determination adjustments made where appropriate.

Risk management

The Department has made significant progress in 2008-09, including the endorsement of a risk management policy and framework. However, at the time of audit, the Business Continuity Plan and the Risk Registers listing current controls in place and the required risk treatments were still outstanding.

The Department responded that the Strategic Risk Register has been captured using Methodware software against the new Strategic Plan goals and objectives and has been presented to Corporate Executive. Business Continuity Management will be integrated with the Department's Risk Management Policy, Framework and Procedures.

Budgetary control

The Strategic Finance and Budget Unit and Legislation and Delegations Unit have made significant progress in addressing 2007-08 budgetary control issues. However, certain issues were still outstanding at the time of audit including:

- Strategic Finance and Budget policies and procedures were in draft and were being progressively finalised, approved and implemented

- delegations of authority did not cover the approval of budget changes

- budget reconciliations were reviewed on an ad hoc basis and explanations for variances were not documented.

The Department responded that processes associated with monitoring, recording and reconciling budget changes and associated delegations of authority are in the final stages of implementation. Policies and procedures will be regularly assessed and updated within Strategic Finance and Budget Unit to ensure compliance and continuous improvement.

Policies and procedures

TI 2 requires the establishment, maintenance and proper documentation of policies and procedures for key operational areas. At the time of audit, some policies and procedures were in draft or outdated or inconsistent with current practice.

The Department responded that a Financial, Asset and Procurement Services (FAPS) Policy and Procedure Register has been substantially developed and maintained during 2008-09 and is now considered to be comprehensive. Review dates and responsibilities are clearly indicated and the FAPS Policy Co-ordinator monitors closely and prompts responsible officers where necessary. A specific exercise was undertaken to review policies and procedures against SSSA service level designs.

Implementation of the revised TIs 2 and 28

The Department has undertaken significant work over the last eighteen months to comply with TI 2. Finance related policies and procedures were updated or implemented for the first time. These include improvements in:

- the bank reconciliation process
- budgetary reporting
- plant and equipment stock takes.

The Department established a working group for the implementation of a financial management compliance program as required by TI 28 and allocated responsibility for the implementation to relevant officers. The Department used the Financial Management Toolkit issued by the Department of Treasury and Finance as the basis for its compliance program. Criteria to be assessed relating to financial management accountability, financial accounting and budgeting and financial management reporting were loaded into software.

A lead person and support officers were nominated for each unit within the Department and a self assessment was performed and information was input into the program. The Manager, Internal Audit and Risk Management Review and the Director, Financial, Asset and Procurement services reviewed the input, identified gaps and risks and prepared an action plan. This was reported to Corporate Executive in August 2009. Progress in addressing the action plan will be reviewed by audit in 2009-10.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
INCOME		
Commonwealth Government grants	**66**	106
Student and other fees and charges	**93**	85
Other income	**19**	14
Total income	**178**	205
EXPENSES		
Employee benefits	**271**	268
Supplies and services	**149**	135
Grants and subsidies	**72**	81
Other expenses	**21**	21
Total expenses	**513**	505
Net cost of providing services	**335**	300
Net revenues from SA Government	**327**	282
Net result	**(8)**	(18)
OTHER COMPREHENSIVE INCOME		
Changes in property, plant and equipment asset revaluation reserve	**151**	(2)
Total comprehensive result	**143**	(20)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**13**	24
ASSETS		
Current assets	**100**	92
Non-current assets	**631**	491
Total assets	**731**	583
LIABILITIES		
Current liabilities	**77**	75
Non-current liabilities	**58**	55
Total liabilities	**135**	130
EQUITY	**596**	453

Statement of Comprehensive Income

Expenses

Expenses increased by $8 million, totalling $513 million ($505 million).

This is due mainly to an increase in supplies and services of $14 million. Included in this were increases due to the implementation of a new Productivity Places Program in 2008-09 of $3 million reported under 'Funding to non-TAFE providers for Vocational Education and Training'. In addition, payments for minor works, maintenance and equipment increased by $4 million and $2 million was paid for SSSA processing.

These cost increases were offset by a decrease in grants and subsidies of $9 million due to decreases in grants for science and technology programs and grants provided for specific purposes. The timing of grant payments is dependent on the project milestones reached and new government strategies.

The main expense of the Department is employee benefits. Employee benefits of $271 million constituted 53 percent of total expenses. Other major expenses were $149 million for supplies and services and $72 million in grants and subsidies.

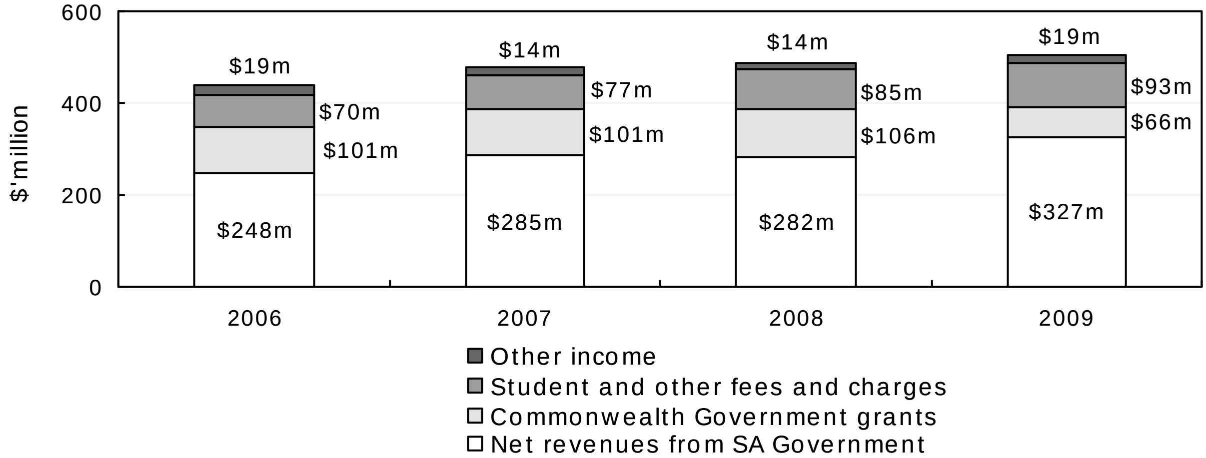
Income

Income totalled $178 million, a decrease of $27 million.

This is due mainly to a decrease in Commonwealth grants of $40 million due to a change in the management of funding received from the Commonwealth Government. A significant proportion of this funding is now received by the Department of Treasury and Finance and transferred to the Department. Refer to Notes 11 and 17.

The decrease in grants revenue was offset by an increase in student and other fees and charges of $8 million and other income of $5 million.

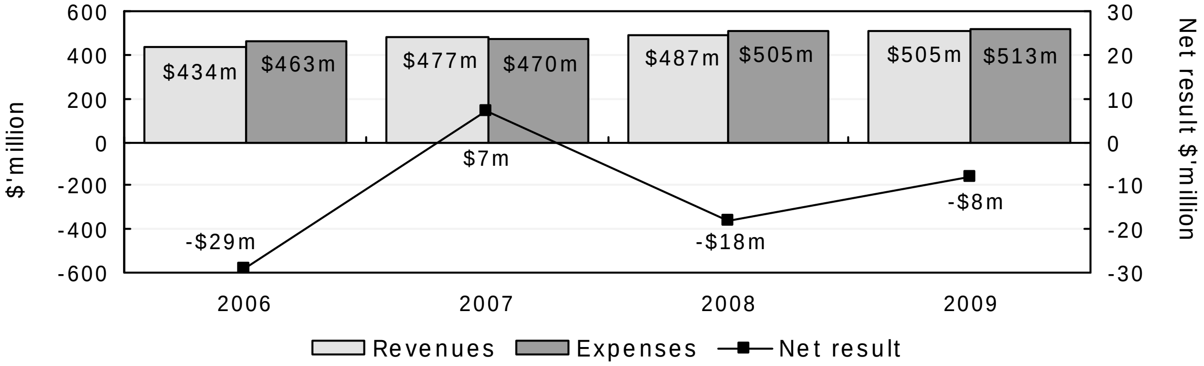
A structural analysis of the Department's income, including net revenues from SA Government, for the four years to 2009 is presented in the following chart.



The chart shows the principal source of funding for the Department is the net revenues from SA Government which totalled $327 million in 2009. Further, student and other fees and charges is increasing. This increase is due mainly to increases in overseas student enrolments, fee for service revenue and indexation of student fees.

Net result

The following chart shows the movement in income, expenses and the net result for the four years to 2009.



The net result for 2008-09 year was a deficit of $8 million ($18 million deficit). The decreased deficit can be attributable mainly to:

- decreases in grants and subsidies expenditure of $9 million
- increases in student and other fees and charges income of $8 million
- increases other grants and contributions income of $4 million.

These were partially offset by an increase in supplies and services expenditure of $14 million.

Statement of Financial Position

The Statement of Financial Position shows that the material items controlled by the Department are:

	2009	2008
	$'million	$'million
Assets		
Cash and cash equivalents	**78**	74
Property, plant and equipment	**627**	488
Liabilities		
Employee benefits	**74**	68

Property, plant and equipment is the most dominant item in the Statement of Financial Position, representing 86 percent of total assets. This item has increased by $139 million due mainly to a revaluation increment of $151 million in land and buildings and additions of $9 million offset by annual depreciation of $20 million.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2009.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**12.8**	24.1	28.3	5.6
Investing	**(7.9)**	(9.5)	(16.6)	(10.9)
Financing	**(0.5)**	-	-	-
Change in cash	**4.4**	14.6	11.7	(5.3)
Cash at 30 June	**78.0**	73.6	59.0	47.3

In 2008-09 the Department generated $12.8 million cash flow from operations and $8.6 million of this was used to finance the purchase of property, plant and equipment. In addition $500 000 was paid to Department of Treasury and Finance for transfers of employee benefits for staff transfers to SSSA.

Cash as at 30 June 2009 is $78 million. Of this amount, $45.4 million is held in an Accrual Appropriation Excess Funds Account which can only be used with the Treasurer or Under Treasurer's approval. The Department has current liabilities of $51.2 million (excluding provisions and employee entitlements).

FURTHER COMMENTARY ON OPERATIONS

Student information system

In June 2008 Cabinet gave approval for the Department to purchase software and maintenance and professional services for the implementation of a new student information system at a capital cost over three years of $20.4 million. Cabinet noted that the cost of the project would be met from existing resources.

In June 2009, the Department entered into a contract for $20.4 million to implement a new Student Information System. The new web based system will manage student academic and financial records from initial enquiries, admission, enrolment, payment of fees, allocation of classes, recording of results, progression to completion and graduation. It is expected that the system will be fully operational in 2012.

A review of aspects of the system acquisition and implementation processes will be undertaken by Audit in 2009-10.

Statement of Comprehensive Income for the year ended 30 June 2009

	Note	**2009 $'000**	2008 $'000
EXPENSES:			
Employee benefits	5	**270 637**	267 814
Supplies and services	6	**149 130**	135 101
Grants and subsidies	7	**71 642**	80 572
Depreciation	8	**19 772**	20 020
Net loss from the disposal of non-current assets	15	**957**	673
Other expenses	9	**520**	574
Total expenses		**512 658**	504 754
INCOME:			
Commonwealth grants	11	**65 989**	106 323
Student and other fees and charges	12	**93 150**	85 039
Other grants and contributions	13	**12 250**	8 615
Interest	14	**24**	28
Other income	16	**6 398**	4 891
Total income		**177 811**	204 896
NET COST OF PROVIDING SERVICES		**334 847**	299 858
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	17	**340 031**	286 764
Payments to SA Government	17	**(13 250)**	(5 370)
Total revenues from (payments to) SA Government		**326 781**	281 394
NET RESULT		**(8 066)**	(18 464)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation reserve		**150 577**	(1 495)
TOTAL COMPREHENSIVE RESULT		**142 511**	(19 959)

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	**2009** **$'000**	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	18	**77 980**	73 580
Receivables	19	**20 946**	17 256
Inventories	22	**935**	923
Non-current assets held-for-sale	20	**419**	788
Total current assets		**100 280**	92 547
NON-CURRENT ASSETS:			
Receivables	19	**266**	223
Investments	28	**3 206**	2 604
Property, plant and equipment	21	**627 045**	488 179
Total non-current assets		**630 517**	491 006
Total assets		**730 797**	583 553
CURRENT LIABILITIES:			
Payables	23	**32 584**	37 783
Employee benefits	24	**23 730**	22 808
Provisions	25	**1 896**	2 568
Unearned revenue	26	**12 257**	8 286
Other current liabilities	27	**6 353**	4 130
Total current liabilities		**76 820**	75 575
NON-CURRENT LIABILITIES:			
Payables	23	**2 111**	1 979
Employee benefits	24	**50 387**	45 558
Provisions	25	**5 717**	6 691
Other non-current liabilities	27	**-**	499
Total non-current liabilities		**58 215**	54 727
Total liabilities		**135 035**	130 302
NET ASSETS		**595 762**	453 251
EQUITY:			
Retained earnings	30	**370 267**	378 333
Asset revaluation reserve	30	**225 495**	74 918
TOTAL EQUITY		**595 762**	453 251

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	31
Contingent assets and liabilities	32

Statement of Changes in Equity
for the year ended 30 June 2009

	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	76 413	386 458	462 871
First time recognition of assets	-	10 412	10 412
Current asset adjustments	-	(73)	(73)
Restated balance at 30 June 2007	76 413	396 797	473 210
Net result for 2007-08	-	(18 494)	(18 494)
Investment adjustments	-	30	30
Gain on buildings during 2007-08	520	-	520
Loss on revaluation of library during 2007-08	(2 015)	-	(2 015)
Total comprehensive result 2007-08	(1 495)	(18 464)	(19 959)
Restated balance at 30 June 2008	74 918	378 333	453 251
Net result for 2008-09	-	(8 066)	(8 066)
Gain on buildings during 2008-09	54 681	-	54 681
Gain on land during 2008-09	95 896	-	95 896
Total comprehensive result for 2008-09	150 577	(8 066)	142 511
Balance at 30 June 2009	**225 495**	**370 267**	**595 762**

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

Statement of Cash Flows
for the year ended 30 June 2009

		2009	2008
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Employee benefits		**(266 338)**	(258 785)
Supplies and services		**(171 335)**	(141 419)
Grants and subsidies		**(71 642)**	(81 695)
GST paid to the ATO		**(4 199)**	(3 998)
Other		**(884)**	(275)
Cash used in operating activities		**(514 398)**	(486 172)
CASH INFLOWS:			
Commonwealth grants		**65 989**	106 323
Student and other fees and charges		**99 668**	91 458
Other grants and contributions		**12 250**	8 615
Interest received		**24**	28
GST recovered from the ATO		**17 697**	17 440
Other		**4 791**	5 096
Cash generated from operating activities		**200 419**	228 960
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**340 031**	286 764
Payments to SA Government		**(13 250)**	(5 370)
Cash generated from SA Government		**326 781**	281 394
Net cash provided by operating activities	36	**12 802**	24 182
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(8 583)**	(9 647)
CASH INFLOWS:			
Proceeds from property, plant and equipment		**643**	107
Net cash used in investing activities		**(7 940)**	(9 540)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Cash transferred as a result of restructuring activities		**(462)**	-
Net cash used in financing activities		**(462)**	-
NET INCREASE IN CASH HELD		**4 400**	14 642
CASH AND CASH EQUIVALENTS AT 1 JULY		**73 580**	58 938
CASH AND CASH EQUIVALENTS AT 30 JUNE	18	**77 980**	73 580

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009

(Activities - refer Note 4)	Employment and Skills Formation					
	VET		Learning Workforce Development and Employment		Regulatory Services	
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**251 495**	247 485	**9 482**	10 898	**3 373**	2 946
Supplies and services	**139 740**	126 002	**5 488**	5 592	**1 122**	637
Grants and subsidies	**27 878**	18 730	**15 429**	25 666	**324**	22
Depreciation	**19 772**	20 020	**-**	-	**-**	-
Net loss on disposal of assets	**849**	673	**57**	-	**17**	-
Other expenses	**470**	531	**34**	22	**5**	9
Total expenses	**440 204**	413 441	**30 490**	42 178	**4 841**	3 614
INCOME:						
Commonwealth grants	**63 858**	104 382	**1 903**	1 808	**-**	-
Student and other fees and charges	**93 150**	85 039	**-**	-	**-**	-
Other grants and contributions	**10 329**	7 646	**921**	856	**774**	-
Interest income	**24**	28	**-**	-	**-**	-
Other income	**6 068**	2 946	**(884)**	324	**388**	425
Total income	**173 429**	200 041	**1 940**	2 988	**1 162**	425
NET COST OF PROVIDING SERVICES	**266 775**	213 400	**28 550**	39 190	**3 679**	3 189
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	**272 509**	200 836	**23 588**	38 163	**5 830**	3 129
Payments to SA Government	**(13 250)**	(5 370)	**-**	-	**-**	-
NET RESULT	**(7 516)**	(17 934)	**(4 962)**	(1 027)	**2 151**	(60)

(Activities - refer Note 4)	Employment and Skills Formation		Science, Technology and Innovation			
	International and Higher Education		Science and Innovation		Information Economy	
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**668**	1 032	**1 620**	1 487	**1 702**	1 829
Supplies and services	**412**	637	**806**	406	**681**	919
Grants and subsidies	**1 457**	5 014	**15 124**	19 632	**280**	944
Depreciation	**-**	-	**-**	-	**-**	-
Net loss on disposal of assets	**4**	-	**9**	-	**9**	-
Other expenses	**1**	2	**3**	2	**3**	4
Total expenses	**2 542**	6 685	**17 562**	21 527	**2 675**	3 696
INCOME:						
Commonwealth grants	**-**	-	**-**	-	**105**	133
Student and other fees and charges	**-**	-	**-**	-	**-**	-
Other grants and contributions	**150**	-	**66**	66	**-**	-
Interest income	**-**	-	**-**	-	**-**	-
Other income	**599**	755	**126**	145	**(90)**	109
Total income	**749**	755	**192**	211	**15**	242
NET COST OF PROVIDING SERVICES	**1 793**	5 930	**17 370**	21 316	**2 660**	3 454
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	**2 168**	6 804	**19 006**	21 282	**2 732**	3 104
Payments to SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**375**	874	**1 636**	(34)	**72**	(350)

Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2009 (continued)

(Activities - refer Note 4)	Science, Technology and Innovation				Office for Youth	
	Bioscience Industry Development		Technology Investment			
	2009	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**-**	-	**-**	-	**2 297**	-
Supplies and services	**-**	-	**-**	-	**881**	-
Grants and subsidies	**8 017**	7 450	**1 545**	1 778	**1 588**	-
Depreciation	**-**	-	**-**	-	**-**	-
Net loss on disposal of assets	**-**	-	**-**	-	**12**	-
Other expenses	**-**	-	**-**	-	**4**	-
Total expenses	**8 017**	7 450	**1 545**	1 778	**4 782**	-
INCOME:						
Commonwealth grants	**-**	-	**-**	-	**123**	-
Student and other fees and charges	**-**	-	**-**	-	**-**	-
Other grants and contributions	**-**	-	**-**	-	**10**	-
Interest income	**-**	-	**-**	-	**-**	-
Other income	**-**	-	**-**	-	**191**	-
Total income	**-**	-	**-**	-	**324**	-
NET COST OF PROVIDING SERVICES	**8 017**	7 450	**1 545**	1 778	**4 458**	-
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:						
Revenues from SA Government	**8 017**	7 450	**1 545**	1 778	**4 636**	-
Payments to SA Government	**-**	-	**-**	-	**-**	-
NET RESULT	**-**	-	**-**	-	**178**	-

(Activities - refer Note 4)	Office for Youth							
	Strengthened Partnerships		Young People's Engagement		Creative Leadership		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**-**	881	**-**	628	**-**	628	**270 637**	267 814
Supplies and services	**-**	413	**-**	283	**-**	212	**149 130**	135 101
Grants and subsidies	**-**	163	**-**	893	**-**	280	**71 642**	80 572
Depreciation	**-**	-	**-**	-	**-**	-	**19 772**	20 020
Net loss on disposal of assets	**-**	-	**-**	-	**-**	-	**957**	673
Other expenses	**-**	2	**-**	1	**-**	1	**520**	574
Total expenses	**-**	1 459	**-**	1 805	**-**	1 121	**512 658**	504 754
INCOME:								
Commonwealth grants	**-**	-	**-**	-	**-**	-	**65 989**	106 323
Student and other fees and charges	**-**	-	**-**	-	**-**	-	**93 150**	85 039
Other grants and contributions	**-**	30	**-**	17	**-**	-	**12 250**	8 615
Interest income	**-**	-	**-**	-	**-**	-	**24**	28
Other income	**-**	128	**-**	40	**-**	19	**6 398**	4 891
Total income	**-**	158	**-**	57	**-**	19	**177 811**	204 896
NET COST OF PROVIDING SERVICES	**-**	1 301	**-**	1 748	**-**	1 102	**334 847**	299 858
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:								
Revenues from SA Government	**-**	1 294	**-**	1 807	**-**	1 117	**340 031**	286 764
Payments to SA Government	**-**	-	**-**	-	**-**	-	**(13 250)**	(5 370)
NET RESULT	**-**	(7)	**-**	59	**-**	15	**(8 066)**	(18 464)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

	Employment and Skills Formation					
(Activities - refer Note 4)	VET		Learning Workforce Development and Employment		Regulatory Services	
	2009	2008	**2009**	2008	**2009**	2008
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**-**	-
Receivables	**15 795**	12 021	**295**	523	**1 380**	25
Inventories	**935**	923	**-**	-	**-**	-
Non-current assets held-for-sale	**419**	788	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-
Property, plant and equipment	**626 516**	483 466	**265**	212	**88**	58
Total assets	**643 665**	497 198	**560**	735	**1 468**	83
LIABILITIES:						
Payables	**26 362**	16 156	**787**	1 194	**195**	54
Employee benefits	**68 927**	61 205	**2 421**	2 455	**1 166**	1 149
Provisions	**-**	-	**-**	-	**-**	-
Unearned revenue	**11 917**	7 439	**155**	833	**-**	14
Other liabilities	**6 353**	4 629	**-**	-	**-**	-
Total liabilities	**113 559**	89 429	**3 363**	4 482	**1 361**	1 217
NET ASSETS	**530 106**	407 769	**(2 803)**	(3 747)	**107**	(1 134)

	Employment and Skills Formation		Science, Technology and Innovation			
(Activities - refer Note 4)	International and Higher Education		Science and Innovation		Information Economy	
	2009	2008	**2009**	2008	**2009**	2008
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**-**	-
Receivables	**-**	(1)	**9**	453	**-**	20
Inventories	**-**	-	**-**	-	**-**	-
Non-current assets held-for-sale	**-**	-	**-**	-	**-**	-
Investments	**3 206**	2 604	**-**	-	**-**	-
Property, plant and equipment	**19**	11	**45**	30	**48**	36
Total Assets	**3 225**	2 614	**54**	483	**48**	56
LIABILITIES:						
Payables	**42**	7	**1 795**	1 535	**75**	366
Employee benefits	**247**	145	**425**	378	**467**	440
Provisions	**-**	-	**-**	-	**-**	-
Unearned revenue	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	-	**-**	-	**-**	-
Total liabilities	**289**	152	**2 220**	1 913	**542**	806
NET ASSETS	**2 936**	2 462	**(2 166)**	(1 430)	**(494)**	(750)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009 (continued)

	Science, Technology and Innovation				Office for Youth	
	Bioscience Industry Development		Technology Investment			
(Activities - refer Note 4)	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**-**	-
Receivables	**-**	-	**-**	-	**77**	-
Inventories	**-**	-	**-**	-	**-**	-
Non-current assets held-for-sale	**-**	-	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-
Property, plant and equipment	**-**	-	**-**	-	**64**	-
Total assets	**-**	-	**-**	-	**141**	-
LIABILITIES:						
Payables	**-**	-	**-**	-	**222**	-
Employee benefits	**-**	-	**-**	-	**464**	-
Provisions	**-**	-	**-**	-	**-**	-
Unearned revenue	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	-	**-**	-	**-**	-
Total liabilities	**-**	-	**-**	-	**686**	-
NET ASSETS	**-**	-	**-**	-	**(545)**	-

	Office for Youth					
(Activities - refer Note 4)	Strengthened Partnerships		Young People's Engagement		Creative Leadership	
	2009	2008	**2009**	2008	**2009**	2008
ASSETS:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**-**	-	**-**	-
Receivables	**-**	22	**-**	2	**-**	1
Inventories	**-**	-	**-**	-	**-**	-
Non-current assets held-for-sale	**-**	-	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-
Property, plant and equipment	**-**	18	**-**	12	**-**	12
Total assets	**-**	40	**-**	14	**-**	13
LIABILITIES:						
Payables	**-**	46	**-**	215	**-**	40
Employee benefits	**-**	159	**-**	55	**-**	55
Provisions	**-**	-	**-**	-	**-**	-
Unearned revenue	**-**	-	**-**	-	**-**	-
Other liabilities	**-**	-	**-**	-	**-**	-
Total liabilities	**-**	205	**-**	270	**-**	95
NET ASSETS	**-**	(165)	**-**	(256)	**-**	(82)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009 (continued)

(Activities - refer Note 4)	General/ Not Attributable		Total	
	2009	2008	**2009**	2008
ASSETS:	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**77 980**	73 580	**77 980**	73 580
Receivables	**3 656**	4 413	**21 212**	17 479
Inventories	**-**	-	**935**	923
Non-current assets held-for-sale	**-**	-	**419**	788
Investments	**-**	-	**3 206**	2 604
Property, plant and equipment	**-**	4 324	**627 045**	488 179
Total assets	**81 636**	82 317	**730 797**	583 553
LIABILITIES:				
Payables	**5 217**	20 149	**34 695**	39 762
Employee benefits	**-**	2 325	**74 117**	68 366
Provisions	**7 613**	9 259	**7 613**	9 259
Unearned revenue	**185**	-	**12 257**	8 286
Other liabilities	**-**	-	**6 353**	4 629
Total liabilities	**13 015**	31 733	**135 035**	130 302
NET ASSETS	**68 621**	50 584	**595 762**	453 251

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Agency objectives and funding

(a) Objective

To build the breadth and depth of workforce skills in South Australia, complemented by leading science and technology development, and building community education and capacity, social inclusion and continuous learning into the culture of the State.

The portfolio plays a central role in achieving South Australia's Strategic Plan objectives of growing prosperity, fostering creativity, and expanding opportunity; and makes a substantial contribution to improving wellbeing, attaining sustainability and building communities.

The Department of Further Education, Employment, Science and Technology (the Department) undertakes a range of functions in order to meet its objectives and contribute to the achievement of South Australia's Strategic Plan objectives and targets:

- Provision of strategic policy advice for developing the State's workforce
- Ensuring high quality vocational education and training (VET) delivered by TAFE institutes, private registered training organisations and adult community education providers
- Regulation of VET organisations, university and non-university higher education providers, and providers of English language intensive courses for overseas students
- Regulation, administration and funding of apprenticeships and traineeships
- Managing State funded employment and community development programs
- Supporting the Government's strategic direction in the higher education sector
- Raising the profile of South Australia in the international education market place
- Initiating, advocating and facilitating policies and strategies, including appropriate programs and grants, that create opportunities for positive outcomes for all South Australians, particularly Aboriginal South Australians, young people, people with a disability and older workers
- Provision of strategic advice and the implementation of science, technology, information economy and innovation policy for the benefit of business, industry and education sectors
- Coordinating a whole-of-government and community response in supporting young people, aged 12-25, and addressing issues affecting them.

(b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition income is generated from sales and/or a fee-for-service basis. These include:

- student fees and charges
- training for various organisations
- sale of curriculum material
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the PFAA. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Principles of consolidation

Subsidiary companies

The Minister for Employment, Training and Further Education has a 100 percent interest in Austraining International Pty Ltd. Although the Minister has control over Austraining it is not considered material to the Department's operations. Consequently, Austraining has not been consolidated in the accounts as per AASB 127. The value of Austraining is shown in the Statement of Financial Position under 'Investments'.

Subsidiaries are all those entities over which the Department has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Details of subsidiaries are set out in Note 28.

Joint venture entities

The Department has a 25 percent interest in the South Australian Tertiary Admissions Centre (SATAC). The interests in this joint venture are not considered to be material to the Department's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to TAFE SA, Charles Darwin University and the three universities in South Australia.

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for the amendments to AASB 101 (September 2007 version) including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Department has early-adopted, 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 2009. These are outlined in 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 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. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

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

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

  (c) 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.

(b) Basis of preparation (continued)

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

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented for the year ended 30 June 2008.

(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 statements and accompanying notes reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. Transactions and balances relating to administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed in summary in Note 38.

Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

(d) Transferred functions

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared that the accounts payable, accounts receivable and payroll services from Shared Services Business Division transitioned to Shared Services SA (SSSA) from October 2008. This transition was approved by Cabinet on 15 October 2007 (refer to Note 33).

(e) Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect early adoption of AASB 101 and specific revised accounting standards and APSs. Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

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

(f) Income and expenses

Income is recognised to the extent that it is probable that the flow of economic benefits to 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.

Income

The following are specific recognition criteria:

- Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to other clients and is recognised when invoices are raised.
- Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.
- Income from grants is recognised upon receipt of funding.
- Contribution income is recognised when control of the contribution or the right to receive the contribution and the income recognition criteria are met.
- Appropriations for program funding are recognised as revenues when the Department obtains control over the funding. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3. Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy.

Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Department will occur and can be reliably measured.

The following are specific recognition criteria:

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

In regards to superannuation expenses, the amount charged to the Statement of Comprehensive Income 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.

Grant expenses
Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, specific or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. The grants are paid when the conditions set out in the contract or correspondence are met.

(g) Current and non-current classification

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

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

(h) Events after the end of the reporting period

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years (refer to Note 34).

(i) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and other deposits at call 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.

(j) 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 generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The recoverability 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 Department will not be able to collect the debt.

(k) Inventory

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held-for-sale are measured at the lower of cost or their net realisable value.

Cost is assigned to low volume inventory items on a specific identification of cost basis.

Inventories comprise of learning modules, food and wine, wine making equipment, books, stationery, hair and beauty products and timber supplies.

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.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

(l) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held-for-sale are presented separately from the other assets in the Statement of Financial Position.

(m) Property, plant and equipment

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 (excluding land) are subsequently measured at fair value less accumulated depreciation. Where assets are acquired for no consideration, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than $1 million.

Revaluation of non-current assets

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

Every three years, the Department revalues its land, buildings, improvements and libraries. 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 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 as an expense, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised in the Statement of Comprehensive Income as an expense, 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.

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

Land

Land is recorded on the basis of existing use market value. The most recent valuations for land were conducted as at 30 June 2009 by Liquid Pacific Pty Ltd and Valcorp Aust Pty Ltd, independent valuers, on the basis of existing use market value.

Buildings and improvements

Buildings and improvements are valued at written down current cost. The building data provided in the statements relates specifically to buildings, paved areas, utility reticulation, fencing, sheds and other site infrastructure assets. The most recent valuations for building and infrastructure assets were conducted as at 30 June 2009 by Liquid Pacific Pty Ltd and Valcorp Aust Pty Ltd, independent valuers, on the basis of written down current cost.

Buildings under construction are recorded as work in progress and are valued at cost.

Library collection

The library collection is recorded at replacement value. The most recent valuation was carried out as at 30 June 2008 by Rushton Valuers Pty Ltd, an independent valuer, on the basis of replacement value.

Plant and equipment

Items of plant and equipment are recorded at fair value less accumulated depreciation.

All plant and equipment assets with a value of $10 000 or greater are capitalised.

Items under $10 000 are recorded in the Statement of Comprehensive Income as an expense in the accounting period in which they are acquired.

(n) Impairment

All non-current assets are tested for indications 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.

(o) Depreciation of non-current assets

Non-current assets are systematically depreciated using the straight-line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. All assets are depreciated from the first day of the acquisition month. The Department reviews useful lives of assets annually.

Land and non-current assets held-for-sale are not depreciated.

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

	Useful life (years)
Buildings	15-60
Improvements	5-30
Paved areas	40-50
Computing and communication equipment	1-20
Other plant and equipment	1-47
Library collection	12-15

(p) 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, are unsecured and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a payable in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Comprehensive Income. The payroll tax liability is only payable when employee benefits are paid.

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 dates relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(q) Employee benefit and employment related liabilities

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days. Long-term benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1975* but are non-cumulative.

Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers compensation insurance premium. These are reported under ‘payables’ as on-costs on employee benefits (refer Note 24).

Salaries, wages, annual leave and non-attendance days

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

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

Long service leave

The liability for long service leave is recognised after an employee has completed six and a half 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 shorthand 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.

Sick leave
Sick leave is not provided for in the financial report, as it 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.

(r) Provisions

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

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 Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position 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.

(s) Leases

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Details of commitments of current non-cancellable operating leases are disclosed at Note 31.

(t) Accounting for 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 Statement of Financial Position.

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

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

(u) Financial guarantees

At the time a financial guarantee contract is issued, it is recognised as a liability initially measured at fair value. If there is a material increase in the likelihood that the guarantee may have to be exercised, the financial guarantee is measured at the higher of the amount determined in accordance with AASB 137 and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to the following factors:

- The overall capital management/prudential supervision framework in operation.
- The protection provided by the State Government by way of funding should the probability of default increase.
- The probability of default by the guaranteed party.
- The likely loss to the Department in the event of default.

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2009 (there was no material liability recognised for financial guarantee contracts in 2008).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at Note 32.

(v) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

(w) Rounding

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

3. Changes in accounting policies

Details of the accounting policies that the Department has changed during 2008-09 are detailed below. In addition, details of the impact, where significant, on the Department's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are also detailed below.

3.1 Restructure of administrative arrangements

In accordance with the revised AASB 1004, the Department records restructures of administrative arrangements as transactions with owners in their capacity as owners rather than recording these events as a revenue/expense item.

3.2 Other

The Department has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income. In accordance with the new accounting standard AASB 1052, the amounts of assets and liabilities reliably attributable to each activity has been disclosed. In addition, Note 38 provides the identity of the recipient of transfer payments classified as administered expenses consistent with the requirement of AASB 1050.

Issued or amended but not yet effective

Except for the amendments to AASB 101, which the Department 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 Department for the period ending 30 June 2009. 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 statements of the Department.

4. Activities and subactivities

Activities and subactivities have been referred to as programs and subprograms in the Notes to the financial statements as presented hereunder.

Program: Employment and Skills Formation

Description/Objective: To strengthen the economic prosperity and social well-being of South Australians through strategic employment, skills formation and further education activities.

Subprogram: Vocational Education and Training

Provision of post-secondary vocational education and training (VET) by TAFE SA and other registered training organisations including:

- resource allocation of contestable and non-contestable funds
- funding of apprenticeships and traineeships
- support for post secondary training and education
- providing state and national policy advice.

Subprogram: Learning, Workforce Development and Employment

Addressing the State's economic development and social inclusion objectives by:

- providing opportunities for people to participate in employment, training, skills development, and adult community education
- meeting the current and future labour and skill needs of industry
- providing state and national policy advice.

Subprogram: Regulatory Services

Administering the state's further education and training system through:

- provision of registration, accreditation and approval services for registered training organisations
- quality oversight of the state vocational education system, through the Training and Skills Commission
- administration of apprenticeships and traineeships
- providing state and national policy advice.

Program: ***Employment and Skills Formation (continued)***

Subprogram: *International and Higher Education*

Supporting the development of Adelaide as a centre for education, international education and South Australian education exports including the provision of marketing services, analysis and student and community support.

Provision of high-level strategic policy advice to the Minister on higher education policy and planning.

Program: ***Science, Technology and Innovation***

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery that links government, business, industry and education sectors.

Subprogram: *Science and Innovation*

Provision of high level strategic advice to the Minister on maximising economic, environmental and social benefits from the State's scientific research and innovation by:

- identifying strategic priorities for State Government investment
- raising awareness and understanding of the benefits of science and innovation amongst government, business and the community
- facilitating coordinated and strategic bids for Commonwealth grants
- facilitating coordination of education and research activity with end-user (industry) requirements to maximise the benefits for South Australia.

Subprogram: *Information Economy*

Provision of high level strategic policy advice to the Minister and government on the information economy and the ICT sector that:

- raises awareness and greater understanding of the information economy among government, business, industry and education providers
- develops strategy and facilities programs and projects relevant to promoting the information economy
- facilitate bids for significant Commonwealth grants.

Subprogram: *Bioscience Industry Development*

Development of the bioscience industry through providing assistance in business development, finance, infrastructure and marketing.

Subprogram: *Technology Investment*

Provision of seed capital and business guidance to start-up and early stage technology companies.

Program: ***Office for Youth***

Description/Objective: The Office for Youth has a significant leadership role in coordinating a whole-of-government and community response in supporting young people, aged 12 to 25, and addressing issues affecting them. It achieves this through:

- developing strong partnerships across government, the youth sector, business and the community
- creating and supporting opportunities for young people to have a voice and make an informed contribution to public debate
- providing young people with positive experiences and opportunities which enhance their strengths and capacity, and which affirm their contributions to their communities and their ability to shape their own future.

5. Employee benefits

	2009	2008
	$'000	$'000
Salaries and wages (including annual leave)	**220 758**	215 137
Superannuation	**24 139**	23 728
Payroll tax	**12 509**	12 887
Long service leave	**9 799**	11 046
Workers compensation	**1 699**	3 584
Other employee related costs	**1 733**	1 432
Total employee benefits	**270 637**	267 814

Remuneration of employees	**2009**	2008
The number of employees whose remuneration received or receivable falls within the following bands:	**Number**	Number
$100 000 - $109 999	**107**	86
$110 000 - $119 999	**32**	30
$120 000 - $129 999	**20**	13
$130 000 - $139 999	**5**	6
$140 000 - $149 999	**2**	9
$150 000 - $159 999	**6**	2
$160 000 - $169 999	**4**	2
$170 000 - $179 999	**3**	2
$180 000 - $189 999	**5**	3
$200 000 - $209 999	**3**	1
$210 000 - $219 999	**1**	1
$220 000 - $229 999	**-**	1
$230 000 - $239 999	**3**	1
$260 000 - $269 999	**-**	2
$270 000 - $279 999	**2**	-
$280 000 - $289 999	**1**	1
$320 000 - $329 999	**-**	1
	194	161

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.

The total remuneration received by these employees for the year was $23.7 million ($19.7 million).

6. Supplies and services

	2009	2008
	$'000	$'000
Funding to non-TAFE providers for VET	**30 013**	24 071
Printing and consumables	**15 040**	14 570
Minor works, maintenance and equipment	**20 176**	16 421
Information technology infrastructure and communication	**19 609**	18 712
Fees - contracted services (including consultants)	**18 139**	16 047
Trainee and apprenticeship reimbursements	**717**	504
Utilities	**6 674**	6 414
Cleaning	**8 866**	8 728
Vehicle and travelling expenses	**7 067**	7 259
Rentals and leases	**6 167**	5 570
Other	**16 662**	16 805
Total supplies and services	**149 130**	135 101

Supplies and services provided by entities within the SA Government:		
Funding for non-TAFE providers for VET	**221**	103
Minor works, maintenance and equipment	**14 670**	12 304
Information technology infrastructure and communication	**3 518**	3 564
Fees - contracted services (including consultants)	**5 585**	3 742
Utilities	**1 096**	1 201
Cleaning	**7 494**	7 521
Vehicle and travelling expenses	**3 245**	2 772
Rentals and leases	**4 414**	4 028
Other	**499**	472
Total supplies and services - SA Government entities	**40 741**	35 707

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

Consultancy	**2009**		2008	
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:	**Number**	**$'000**	Number	$'000
$0 - $10 000	**2**	**13**	4	22
$10 000 - $50 000	**6**	**163**	7	142
Above $50 000	**2**	**177**	3	183
Total paid / payable to the consultants engaged (GST exclusive)		**353**		347

7. Grants and subsidies

	2009 $'000	2008 $'000
Employment programs	**22 183**	19 151
Vocational education and training programs	**10 602**	11 659
Science and technology programs	**24 950**	29 683
Tertiary student transport concessions	**9 541**	9 175
National training infrastructure program	**1 715**	3 259
Other specific grants	**2 651**	7 645
Total grants and subsidies	**71 642**	80 572

Grants and subsidies paid/payable to entities within the SA Government:		
Employment programs	**3 311**	3 445
Vocational education and training programs	**2 358**	3 385
Science and technology programs	**11 283**	13 747
Tertiary student transport concessions	**9 541**	9 175
National training infrastructure program	**939**	440
Other specific grants	**713**	5 766
Total grants and subsidies - SA Government entities	**28 145**	35 958

8. Depreciation

Buildings and improvements	**15 468**	15 347
Plant and equipment	**2 122**	2 197
Library	**2 182**	2 476
Total depreciation	**19 772**	20 020

Change in depreciation due to a revaluation

The Department revalued its library assets in 2007-08. As a result of that revaluation, depreciation on assets calculated for the current reporting period decreased by $300 000.

Change in depreciation due to a change in accounting estimates

A revaluation of the Department's buildings and paving assets was performed in June 2009 which also included a reassessment of its useful lives. It is expected to decrease this expense in future periods by approximately $3 million.

9. Other expenses

	2009 $'000	2008 $'000
Audit fees	**322**	275
Asset revaluation adjustments	**(209)**	-
Allowance for doubtful debts and debt write-offs	**(118)**	299
Other	**525**	-
Total other expenses	**520**	574

10. Auditors' remuneration

Audit fees paid/payable to the Auditor-General's Department	**240**	240
Other audit fees	**82**	35
Total auditors' remuneration	**322**	275

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

11. Commonwealth grants

Recurrent grants:		
Skilling Australia's Workforce Act (1)	**42 187**	81 086
Specific purpose	**8 341**	8 638
	50 528	89 724
Capital grants:		
Skilling Australia's Workforce Act (1)	**6 800**	13 600
Specific purpose	**8 661**	2 999
	15 461	16 599
Total Commonwealth grants	**65 989**	106 323

(1) A change in the management of funding received from the Commonwealth Government has led to a reduction in revenues reported in this Note. A significant portion of the funding is now received by the Department of Treasury and Finance and transferred to the Department. Refer to Note 17.

The Department has received $49 million worth of Commonwealth contributions in 2008-09 under the *Skilling Australia's Workforce Act*.

The Department has received $16.9 million worth of Commonwealth funding for other Specific Projects of which $8.2 million is to be incurred in future periods.

11. Commonwealth grants (continued)

The National Training Infrastructure program received $8.6 million of Commonwealth contributions in 2008-09 of which a commitment exists to spend $7.9 million in the 2009-10 year. The committed funds are for the provision and development of skills centres and capital equipment.

The Department has received $1.2 million of Commonwealth revenue for the Group Training Scheme in the financial year, $27 000 of which will be incurred in the 2009-10 financial year.

The Clever Networks program has received a Commonwealth contribution of $200 000 for maintenance expenses relating to the Clever Networks project. The Department is recognising $200 000 as expenditure to be incurred in the next four years.

The Targeting Skills Needs in Regions program has received $600 000 of Commonwealth funding to enable flexible responses to emerging issues related to the provision of skills training, particularly through Australian apprenticeships. The program has $200 000 of expenditure to be incurred 2009-10 relating to this Commonwealth funding. The Office for Youth has a commitment to spend $41 000 in the 2009-10 financial year relating to the Targeting Skills Needs in Regions program. This expenditure will be incurred by the Office for Youth when they transfer to the Attorney-General's Department.

In 2007-08 the Department received $1.1 million of Commonwealth contributions that was used to fund expenditure in 2008-09.

The National Training Infrastructure program received $1 million of Commonwealth contributions in 2007-08 which was used to fund expenditure of capital infrastructure in 2008-09.

The Targeting Skills Needs in Regions program received $52 000 of Commonwealth contributions in 2007-08 that was used to fund expenditure in 2008-09.

The Group Training Scheme program received $21 000 of Commonwealth contributions in 2007-08 that was used to fund expenditure in 2008-09.

12. Student and other fees and charges	**2009 $'000**	2008 $'000
Sales/fee-for-service revenue	**57 966**	52 562
Student enrolment fees and charges	**32 742**	29 836
Other user fees and charges	**2 442**	2 641
Total fees and charges	**93 150**	85 039
Fees and charges received/receivable from entities within the SA Government:		
Sales/fee-for-service revenue	**1 104**	1 139
Student enrolment fees and charges	**636**	529
Other user fees and charges	**36**	132
Total fees and charges - SA Government entities	**1 776**	1 800

13. Other grants and contributions		
Grants and subsidies revenue	**4 214**	3 416
Miscellaneous contributions	**434**	474
Donations	**93**	98
Grants from entities within the SA Government	**7 509**	4 627
Total other grants and contributions	**12 250**	8 615

14. Interest		
Interest from entities external to the SA Government	**24**	28
Total interest	**24**	28

15. Net (loss) gain on disposal of non-current assets		
Assets held-for-sale:		
Proceeds from disposals	**616**	-
Net book value of assets disposed	**(790)**	-
Net loss on disposals	**(174)**	-
Land and buildings:		
Proceeds from disposals	**-**	23
Net book value of assets disposed	**(280)**	(34)
Net loss on disposals	**(280)**	(11)
Plant and equipment:		
Proceeds from disposals	**27**	84
Net book value of assets disposed	**(530)**	(746)
Net loss on disposals	**(503)**	(662)
Total assets:		
Proceeds from disposals	**643**	107
Net book value of assets disposed	**(1 600)**	(780)
Total net loss on disposals	**(957)**	(673)

16. Other income

	2009	2008
	$'000	$'000
Share of net gains from investments	**601**	755
Recoup of salaries	**830**	863
Application/assessment fees	**418**	324
Rental and lease charges	**428**	229
Registration fees	**258**	287
Sundry income	**3 862**	2 434
Total other income	**6 398**	4 891

17. Revenues from (payments to) SA Government

Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**273 849**	271 864
Accrual appropriation	**8 564**	4 772
Appropriation transfers from contingency	**7 833**	10 128
Commonwealth grants received via Treasury (1)	**49 785**	-
Total revenues from SA Government	**340 031**	286 764
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	**(13 250)**	(5 370)
Total revenues from (payments to) SA Government	**326 781**	281 394

(1) A change in the management of funding received from the Commonwealth Government has led to an increase in revenues reported in this Note. A significant portion of the funding is now received by the Department of Treasury and finance and transferred to the Department. Refer to Note 11.

Total revenues from government consists of $6.8 million ($9.2 million) for capital projects and the remainder for operational funding. For details on expenditure associated with the operational funding and capital funding received refer to Notes 5 to 10 and 36. There was no material variations between the amount appropriated and the expenditures associated with this appropriation.

18. Cash and cash equivalents

	2009	2008
	$'000	$'000
Deposits with the Treasurer	**45 378**	36 814
Special Deposit Account with the Department of Treasury and Finance	**32 543**	36 191
Imprest account/cash-on-hand	**59**	555
External bank account	**-**	20
Total cash and cash equivalents	**77 980**	73 580

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use (ie funds can only be used in accordance with The Treasurer's/Under Treasurer's approval).

External bank account

Interest is calculated based on the average daily balances. The account earned a floating interest rate of 3 percent.

Interest rate risk

Interest is not earned on deposits with the Treasurer, however the imprest account earns interest at a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

19. Receivables

	2009	2008
Current:	**$'000**	$'000
Fees and charges receivable	**17 679**	13 872
Allowance for doubtful debts	**(2 012)**	(2 264)
Prepayments	**1 188**	1 353
GST recoverable from the ATO	**3 971**	4 174
Other receivables	**120**	121
Total current receivables	**20 946**	17 256
Non-current:		
Workers compensation receivable	**266**	223
Total non-current receivables	**266**	223
Total receivables	**21 212**	17 479
Receivables from SA Government entities:		
Receivables	**1 861**	1 211
Workers compensation receivable	**266**	223
Prepayments	**5**	51
Total receivables from SA Government entities	**2 132**	1 485

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the allowance for doubtful debts	**2009**	2008
	$'000	$'000
Carrying amount at 1 July	**2 264**	2 112
Increase in the allowance	**15**	299
Amounts written off	**(267)**	(147)
Carrying amount at 30 June	**2 012**	2 264

Interest rate 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 as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables - refer to Note 37.3.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 37.

20. Non-current assets held-for-sale	**2009**	2008
	$'000	$'000
Land at fair value	**419**	56
Buildings and improvements at fair value/cost	**-**	732
Balance at 30 June	**419**	788

During 2008-09 land at Murray Bridge was identified as surplus to requirements. It is anticipated that the land at Murray Bridge will be sold by 30 June 2010.

21. Property, plant and equipment

Land and buildings:		
Land at fair value	**154 715**	58 738
Buildings and improvements at fair value/cost	**895 892**	756 075
Accumulated depreciation	**(455 041)**	(358 433)
Construction work in progress	**3 491**	2 485
	599 057	458 865
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	**31 707**	31 024
Accumulated depreciation	**(16 302)**	(15 790)
	15 405	15 234
Libraries:		
Libraries at valuation	**29 288**	28 603
Accumulated depreciation	**(16 705)**	(14 523)
	12 583	14 080
Total property, plant and equipment at fair value	**1 115 093**	876 925
Total accumulated depreciation at 30 June	**(488 048)**	(388 746)
Total property, plant and equipment	**627 045**	488 179

Valuation of land and buildings

The valuation of land and buildings was performed by Martin Burns and Andrew J Lucas, independent valuers, from Liquid Pacific Pty Ltd and Valcorp Aust Pty Ltd respectively as at 30 June 2009. The valuers arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2009.

Reconciliations

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

Reconciliations (continued)

2009	Land at fair value $'000	Buildings & imprvmnts $'000	Plant & equipment $'000	Construction work in Progress $'000	Libraries at valuation $'000	Total $'000
Carrying amount 1 July	**58 738**	**397 642**	**15 234**	**2 485**	**14 080**	**488 179**
Additions	**-**	**-**	**2 045**	**5 999**	**685**	**8 729**
Disposals	**-**	**(280)**	**(530)**	**-**	**-**	**(810)**
Net revaluation increment (decrement)	**95 896**	**54 681**	**-**	**-**	**-**	**150 577**
Other movements	**81**	**4 276**	**778**	**(4 993)**	**-**	**142**
Depreciation	**-**	**(15 468)**	**(2 122)**	**-**	**(2 182)**	**(19 772)**
Carrying amount 30 June	**154 715**	**440 851**	**15 405**	**3 491**	**12 583**	**627 045**
2008						
Carrying amount 1 July	58 794	407 470	15 575	1 206	18 571	501 616
Additions	-	-	2 602	7 548	-	10 150
Disposals	-	-	(746)	(34)	-	(780)
Net revaluation increment (decrement)	-	520	-	-	(2 015)	(1 495)
Other movements	(56)	4 999	-	(6 235)	-	(1 292)
Depreciation	-	(15 347)	(2 197)	-	(2 476)	(20 020)
Carrying amount 30 June	58 738	397 642	15 234	2 485	14 080	488 179

22. Inventories

	2009 $'000	2008 $'000
Inventories held-for-sale	**540**	562
Inventories held-for-distribution	**395**	361
Total inventories	**935**	923

23. Payables

	2009 $'000	2008 $'000
Current:		
Creditors	**18 493**	25 981
Accrued expenses	**7 783**	5 636
Employment on-costs	**6 210**	6 111
Other	**98**	55
Total current payables	**32 584**	37 783
Non-current:		
Employment on-costs	**2 111**	1 979
Total non-current payables	**2 111**	1 979
Total payables	**34 695**	39 762
Payables to SA Government entities:		
Creditors	**2 691**	6 055
Accrued expenses	**4 641**	2 871
Employment on-costs	**8 321**	8 090
Total payables to SA Government entities	**15 653**	17 016

As a result of an actuarial assessment performed by the Department of Treasury and Finance the average factor for the calculation of employer superannuation has changed from the 2008 rate 10.8 percent to 10.5 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

Creditors are raised for all amounts billed but unpaid and accruals are raised where goods and services are received but an invoice has not yet been received. Sundry Creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

(a) Maturity analysis of payables - refer to Note 37.3.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 37.

24. Employee benefits

	2009 $'000	2008 $'000
Current:		
Annual leave	**9 802**	9 219
Long service leave	**5 780**	6 570
Accrued salaries and wages	**3 281**	2 369
Non-attendance days	**4 867**	4 650
Total current employee benefits	**23 730**	22 808
Non-current:		
Long service leave	**50 387**	45 558
Total non-current employee benefits	**50 387**	45 558
Total employee benefits	**74 117**	68 366

24. Employee benefits (continued)

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2009 is $29.9 million and $52.5 million respectively.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of long service leave liability has changed from the 2008 benchmark 7.5 years to 6.5 years. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of $500 000 and employee benefit expense of $500 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate 4.5 percent. The net financial effect of the changes in the current financial year is a decrease in the annual leave liability of $67 000 and employee benefit expense of $78 000. The estimated impact on 2010 is $70 000 and $82 000 respectively and 2011 is $73 000 and $85 000 respectively.

25. Provisions

	2009	2008
Current:	**$'000**	$'000
Workers compensation	**1 896**	2 568
Total current provisions	**1 896**	2 568
Non-current:		
Workers compensation	**5 717**	6 691
Total non-current provisions	**5 717**	6 691
Total provisions	**7 613**	9 259
Carrying amount at 1 July	**9 259**	8 681
Reductions arising from payments/other sacrifice of future economic benefits	**(1 646)**	-
Additional provision recognised	**-**	578
Carrying amount at 30 June	**7 613**	9 259

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

26. Unearned revenue

	2009	2008
	$'000	$'000
Unearned revenue to SA Government entities	**472**	1 693
Unearned revenue to non-SA Government entities	**11 785**	6 593
Total unearned revenue	**12 257**	8 286

27. Other liabilities

Current:		
Deposits	**6 255**	4 034
Other liabilities	**98**	96
Total current other liabilities	**6 353**	4 130
Non-current:		
Advances	**-**	499
Total non-current other liabilities	**-**	499
Total other liabilities	**6 353**	4 629

28. Investments

	Austraining International Pty Ltd	
	2009	2008
	$'000	$'000
Contributed capital in subsidiary company (Austraining)	**400**	400
Share of retained profit (percentage)	**100**	100
Retained profits attributable to subsidiary company:	**2009**	2008
	$'000	$'000
Balance at 1 July	**2 604**	1 449
Share of operating profit (loss) after income tax	**602**	1 155
Total investments as at 30 June	**3 206**	2 604

Austraining International Pty Ltd

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is based on unaudited financial statements as at 30 June 2009.

29. Adjustments to equity

	Asset revaluation reserve $'000	Retained earnings $'000	2008 Total $'000
Balance at 1 July 2007	74 918	367 965	442 883
First time recognition of assets in prior period error	-	10 412	10 412
Current asset adjustment	-	(44)	(44)
Total equity as at 30 June 2008	74 918	378 333	453 251

Buildings and improvements adjustments

These adjustments reflect buildings and improvements that have been recognised in the 2008-09 financial year, where the valuers through their valuation provided more comprehensive information which had not previously been recognised in particular, fencing and utility reticulation.

Current asset adjustments

This adjustment reflects the understatement of the 30 June 2008 investment in Austraining International Pty Ltd and other adjustments for the imprest account and salaries.

30. Equity

	2009 $'000	2008 $'000
Retained earnings	**370 267**	378 333
Asset revaluation reserve	**225 495**	74 918
Total equity	**595 762**	453 251

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and libraries to the extent that they offset one another.

31. 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 are payable as follows:		
Within one year	**9 248**	5 086
Payable later than one year and not later than five years	**12 485**	11 814
Total remuneration commitments	**21 733**	16 900

Amounts disclosed include commitments arising from executive contracts and hourly paid instructors. The Department does not offer remuneration contracts greater than five years.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:		
Within one year	**14 084**	846
Later than one year and not later than five years	**6 339**	-
Later than five years	**-**	-
Total capital commitments	**20 423**	846

The Department's capital commitments relate to construction works at Victor Harbor campus and Narungga and the acquisition and implementation of the student information system.

Other commitments

These amounts are due for payments:		
Within one year	**22 168**	851
Later than one year and not later than five years	**24 771**	992
Later than five years	**-**	853
Total other commitments	**46 939**	2 696

The Department's other commitments relate to agreements for cleaning contracts and other procurement commitments. There are no purchase options available to the Department.

Operating leases commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2009 $'000	2008 $'000
Within one year	**5 407**	4 548
Payable later than one year and not later than five years	**26 319**	18 266
Payable later than five years	**17 135**	19 376
Total operating lease commitments	**48 861**	42 190

Operating leases commitments (continued)

The Department's operating leases are for office accommodation and equipment. Office accommodation is leased from Department for Transport, Energy and Infrastructure. The leases are non-cancellable with some leases having the right of renewal.

Rent is payable in arrears.

32. Contingent assets and liabilities

The Department is not aware of any items which meet the definition of contingent assets. There are, however, a number of outstanding personal injury and common law claims not settled as at 30 June 2009 with an estimated settlement value of $69 000.

The Minister for Employment, Training and Further Education has provided a $3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2009.

The Minister for Employment, Training and Further Education has entered into an agreement to provide Le Cordon Bleu with a 10 year interest free loan of $7 million conditional upon Le Cordon Bleu entering into a building contract for the development of Le Cordon Bleu's city training facility.

33. Transferred functions

Transferred out

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA (SSSA) in the Department of Treasury and Finance.

The business services of SA Government agencies are transferring to SSSA in a series of transition programs known as Tranches. In most cases, these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

The next Tranche of services to transition was approved by Cabinet on 8 December 2008 and comprised of certain financial and taxation services, ICT services and support, contract services and purchase card administration.

As part of this reform:

- from October 2008, the accounts payable, accounts receivable and payroll services from the Shared Business Services Division transitioned to SSSA. The effective date of the transfer was 1 October 2008
- from 19 October 2009 certain financial accounting and taxation services from the Shared Business Services Division of the Department will transition to SSSA.

In October 2008, 29.6 full time equivalent employees of the Shared Business Services Division, budget funding of $1.7 million and the following assets and liabilities were transferred to SSSA.

	Tranche 1 Oct 2008 $'000
Cash	462
Total assets	**462**
Payables	47
Employee benefits liability	415
Total liabilities	**462**
Total net assets transferred	**-**

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

34. After balance day events

Effective 1 July 2009 the Office for Youth was transferred to the Attorney-General's Department.

35. Remuneration of Board and Committee members

Members that were entitled to receive remuneration during the 2008-09 financial year were:

Training and Skills Commission (up to August 2008)

T Phillips (Chair)	T Hudson
P Wright	Prof H Winchester
A Smith	B Mowbray
D Frith	I Curry

Training and Skills Commission (from September 2008)

Prof D Bradley AC (Chair)	Dr M Keating AC
P Wright	A Smith
P Dowd	P Vaughan
J Giles	J Chapman
Prof R Green	I Curry
Prof R Harris	

35. Remuneration of Board and Committee members (continued)

Training Regulation Reference Group (previously Quality Reference Group)

A Smith (Chair) (appointed October 2008)
I Curry
D Frith
G Peak
K Thiele

Adult Community Education Reference Group

P Wright (Chair)
K Daniel
P Ronan (appointed October 2008)
S Schrapel
M Smith

Information Economy Advisory Board

Prof S Richardson
A Cannon
A Noble
T Whiting
Prof C Marlin (Chair)
P Ruwoldt
M Duhne

Premier's Science Research Council

Prof B Brook
Dr I Gould
Dr W Harch
Prof C Marlin
Prof J Hopwood (appointed October 2008)
Dr A Koultunow
Prof R Lewis (appointed January 2009)
Prof T Monro
Mr D Mutton
Dr T Rainsford (appointed October 2008)
Dr L Read
Ms R McLeod (appointed March 2009)

Minister's Youth Council

R Barry (resigned December 2008)
J Batty
D Calic
M Deane
L DeBoer
K Gbla
E Gillet (appointed May 2009)
M Holmwood (resigned February 2009)
S Ireland
A King
N Leung (appointed May 2009)
E Moulds (Chair from April 2008)
L Parsons
R Richards
S Scott
H Skehan
A Solomon-Bridge (resigned October 2008)
T Swanson (Chair up to March 2008)
M Thompson
V Wong (appointed October 2008)
P Wundke

Audit Risk Management Committee

I McLachlan

Higher Education Council

Prof M Barber
Prof P Høj
Prof J McWha
Dr D Rathjen
T Zak

The number of members whose income from the entity falls within the following band is:	**2009 Number**	2008 Number
$1 - $9 999	**38**	41
$10 000 - $19 999	**-**	4
$20 000 - $29 999	**2**	1
$30 000 - $39 999	**6**	-
$40 000 - $49 999	**1**	-
	47	46

Remuneration of Board 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 $300 000 ($200 000).

Amounts paid to a superannuation plan for Board/Committee members was $21 000 ($9000).

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 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.

36. Reconciliation of cash and cash equivalents

	2009 $'000	2008 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	**77 980**	73 580
Balance as per the Statement of Cash Flows	**77 980**	73 580

Reconciliation of net cash provided by operating activities to net cost of providing services	**2009 $'000**	2008 $'000
Net cash provided by operating activities	**12 802**	24 182
Depreciation	**(19 772)**	(20 020)
Investments - share of operating gains	**601**	755
Loss on sale of assets	**(957)**	(673)
Prior period adjustments	**40**	-
Asset revaluation decrement	**209**	-
Increase in employee benefits	**(5 751)**	(6 200)
Increase (Decrease) in receivables	**3 733**	(2 456)
Increase (Decrease) in inventories	**12**	(5)
Decrease (Increase) in payables	**5 066**	(12 558)
(Increase) Decrease in unearned revenue	**(3 971)**	1 359
Increase in other liabilities	**(1 724)**	(2 270)
Decrease (Increase) in provisions	**1 646**	(578)
Revenues from Government	**(340 031)**	(286 764)
Payments to Government	**13 250**	5 370
Net cost of providing services	**(334 847)**	(299 858)

37. Financial instruments

37.1 Categorisation of financial instruments

Details of 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.

Financial assets	Note	**2009 Carrying amount $'000**	2008 Carrying amount $'000
Cash and cash equivalents	18	**77 980**	73 580
Receivables	19	**21 212**	17 256
Investments:			
Held to maturity investments	28	**3 206**	2 604
Financial liabilities			
Payables	24	**34 695**	39 762
Other liabilities	26,27	**18 610**	12 915
Total net financial assets at cost		**49 093**	40 763

All amounts recorded are carried at cost (not materially different from amortised cost) except for employee oncost 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 Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

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

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently 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 the financial assets are impaired. Refer to Note 19 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.

37.2 Ageing analysis of financial assets

	Past due by			
2009	**Overdue for less than 30 days $'000**	**Overdue for 30-60 days $'000**	**Overdue for more than 60 days $'000**	**Total $'000**
Not impaired:				
Receivables	**16 968**	**680**	**3 565**	**21 212**
Other financial assets	**-**	**-**	**-**	**-**
Impaired:				
Receivables	**-**	**-**	**-**	**-**
Other financial assets	**-**	**-**	**-**	**-**

37.2 Ageing analysis of financial assets (continued)

	Past due by			
2008	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	11 866	965	4 648	17 479
Other financial assets	-	-	-	-
Impaired:				
Receivables	-	-	-	-
Other financial assets	-	-	-	-

The following table discloses the maturity analysis of financial assets and financial liabilities.

37.3 Maturity analysis of financial assets and liabilities

		Contractual maturity		
2009	**Carrying amount $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets:				
Cash and cash equivalent	**77 980**	**77 980**	**-**	**-**
Receivables	**21 212**	**20 946**	**266**	**-**
Other financial assets	**3 206**	**-**	**-**	**3 206**
Total financial assets	**102 398**	**98 926**	**266**	**3 206**
Financial liabilities:				
Payables	**34 695**	**32 584**	**2 111**	**-**
Other financial liabilities	**18 610**	**18 610**	**-**	**-**
Total financial liabilities	**53 305**	**51 194**	**2 111**	**-**
2008				
Financial assets:				
Cash and cash equivalent	73 580	73 580	-	-
Receivables	17 479	17 256	223	-
Other financial assets	2 604	-	-	2 604
Total financial assets	93 663	90 836	223	2 604
Financial liabilities:				
Payables	39 762	37 783	1 979	-
Other financial liabilities	12 915	12 416	499	-
Total financial liabilities	52 677	50 199	2 478	-

Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations from 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 flows.

The Department'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 37.1 above represents the Department's maximum exposure to financial liabilities.

38. Administered items

	Ministers salary and allowances		NCVER Funding		Australian Quality Framework Council	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Administered expenses:						
Employee benefits	**300**	240	**-**	-	**420**	35
Supplies and services	**-**	-	**-**	-	**344**	1
Grants and subsidies	**-**	-	**2 036**	9 271	**-**	-
Total administered expenses	**300**	240	**2 036**	9 271	**764**	36
Administered income:						
Commonwealth grants	**-**	-	**2 036**	9 271	**-**	-
Grants and subsidies	**-**	-	**-**	-	**929**	36
Revenues from SA Government	**300**	240	**-**	-	**-**	-
Total income from SA Government	**300**	240	**2 036**	9 271	**929**	36
Net result	**-**	**-**	**-**	**-**	**165**	**-**

38. Administered items (continued)

	Minister's salary and allowances		NCVER Funding		Australian Quality Framework Council	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Current assets:						
Cash	**-**	-	**-**	-	**1 130**	-
Receivables	**-**	18	**-**	-	**-**	14
Total current assets	**-**	18	**-**	-	**1 130**	14
Current liabilities:						
Unearned revenue	**-**	-	**-**	-	**965**	14
Other liabilities	**-**	18	**-**	-	**-**	-
Total current liabilities	**-**	18	**-**	-	**965**	14
TOTAL ASSETS	**-**	-	**-**	-	**165**	-
Equity						
Retained earnings	**-**	-	**-**	-	**165**	-
TOTAL EQUITY	**-**	-	**-**	-	**165**	-

Minister's salary and allowances
Minister's salary and allowances represents the amount pursuant to *Parliamentary Remuneration Act 1990*.

NCVER Funding
NCVER funding represents the receipt and disbursement of Commonwealth funding to the National Centre for Vocational Education Research Ltd.

Australian Quality Framework Council
This funding represents costs associated with hosting the AQF Council secretariat function within the Department including support for human resources and payroll, financial, information and communication technology, records management and limited legal and procurement services.

DEPARTMENT OF HEALTH

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Health (the Department) is an administrative unit established pursuant to the PSM Act.

The Department is responsible to the Minister for Health and the Minister for Mental Health and Substance Abuse.

Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. Note 1 to the financial statements provides details regarding the Department's objectives.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

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

A discussion of the arrangements for the preparation and audit of financial statements for incorporated health services is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems 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 2008-09, specific areas of audit attention included:

- risk management
- insurance services
- payroll
- accounts payable
- accounts receivable
- funding to health services
- interstate patient transfers
- non-current assets
- revenues received from the Commonwealth
- grants to non-government organisations (NGOs)
- shared services arrangements
- financial management and compliance.

Audit Committee and internal audit

The Department's Audit Committee has continued in operation throughout the 2008-09 financial year. Internal audit and risk management services were provided to the Department throughout 2008-09 by the Department for Families and Communities (DFC) under a shared service arrangement. From 2009-10 the Department has established its own internal audit function.

An understanding of internal audit activities has been obtained in order to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Health as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Department of Health 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 funding to non-government organisations, accounts payable and accounts receivable, and implementation of the revised TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Health 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 Department. Responses to the management letters were generally considered to be satisfactory. The following is a summary of headings in this section that contain audit commentary relating to the operations of the Department:

- risk management
- implementation of TIs 2 and 28
- recurrent funding to health services
- capital funding to health services
- funding to NGOs
- Commonwealth Government grants
- payroll
- accounts payable
- accounts receivable
- health unit special purpose funds.

Risk management

Risk Management and Audit Committee

An important element of the Department's 'Risk Management Policy and Framework' is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this, a web-based application to record risks, ratings, controls and treatments has been implemented.

The Department's Risk Management and Audit Committee reviews quarterly strategic risk reports which cover all material risks and controls (including financial, operational and compliance controls).

During 2008-09 the Department engaged risk management consultants to undertake a review of the implementation of the Department's Risk Management Framework (RMF). Their report was presented to and endorsed by the Risk Management and Audit Committee in December 2008. The report found that the Department had made significant progress in the development, documenting, monitoring and reviewing of the RMF. The key findings of the review were that:

- improvements could be achieved in the communication and understanding of the RMF across the Department

- there is an absence of performance indicators that demonstrate the contribution that risk management is making to the achievement of the Department's objectives.

In response to the findings of the review the Department has developed a revised RMF and policies. The revised Framework titled 'Enterprise Risk Management and Opportunity Realisation' states that the Framework is part of the Enterprise Risk Management and Opportunity Realisation System and its purpose is to contextually determine the process and requirements to integrate risk management practices into daily business activities. The framework aims to ensure effective decision making processes are established within a culture of risk awareness rather than risk avoidance.

Audit will monitor progress regarding the implementation of the Framework during 2009-10.

Implementation of the revised TIs 2 and 28

The revised TI 2 and the new TI 28 were effective from 1 July 2008. They have resulted in the withdrawal of the former Financial Management Framework and the introduction of new Treasurer's financial principles and a compliance framework. The relevant TIs are now the revised TI 2 'Financial Management' and the new TI 28 'Financial Management Compliance Program'.

The main change is the TI 28 requirement that the Chief Executive of the agency develop, implement, document and maintain a robust and transparent financial management compliance program. The financial management compliance program will include an assessment of relevant policies, procedures, systems, internal controls, risk management, financial reporting, and the adequacy of management reporting.

During the year, Audit sought advice from the Department regarding their approach and position status to implementing the new TIs. In particular, where the Department is currently situated, and/or is planning actions in 2009-10, in addressing the elements of the TIs.

In response the Department indicated that early in 2009-10 Internal Audit will undertake a review to assess the Department's level of compliance with the TIs and a review of the Department's compliance program.

Recurrent funding to health services

The Department has a key responsibility in managing and monitoring funding provided to health services within the State as the 'Funder Provider' of health sector funds. In 2008-09 $2.9 billion of recurrent funding was provided to health services, representing a significant proportion of departmental expenditure. The control framework implemented by the Department to support this function is significant in the context of the monetary amounts involved as well as the impact on the achievement of departmental objectives and the Government's Strategic Plan objectives. The framework centres around the execution and performance obligations of health service agreements.

The 2008-09 the audit was consistent in coverage to that undertaken last year. It included the following matters:

- Performance Agreements with health services are appropriately executed on a timely basis.
- Processes are in place to monitor compliance requirements of the Performance Agreements.
- Cash call payments are appropriately approved and are accurately processed into accounts payable.
- Budget variations are appropriately approved and supported.
- Key reconciliations of funding are regularly performed and independently reviewed.
- Progress status of the performance of Casemix Audits.

This year's audit identified some opportunities for improvement in controls in the area of reconciliations of recurrent funding to health services. These were communicated to the Department and a positive response was received.

Capital funding to health services

In 2008-09 $147 million of capital funding was provided to health services.

Costs associated with major projects undertaken across the health portfolio are funded and paid by the Department. The Department advises the relevant health unit monthly of all costs incurred. Each health unit recognises costs incurred on its behalf as capital funding (revenue) received from the Department, and, depending on the nature of the payment, a corresponding expense or asset (work in progress) in its ledger.

The scope of the audit included an assessment of controls covering the following:

- Purchasing/initiating projects – all projects have the appropriate approval.
- Project management – all projects are monitored on an ongoing basis.
- Update to general ledger – job cost system is reconciled to the general ledger.

Health

The audit identified some areas of control weaknesses and certain opportunities for improvement in processes and controls. Issues noted included:

- the need to update a number of policies and procedures in accordance with TI 2
- the need for independent review of key reconciliations and the retention of appropriate documentation to support reconciliations.

These matters were raised with the Department and a positive response advising specific remedial action was received.

Funding to non-government organisations

This significant area of funding has been subject to review by Audit and Internal Audit over recent years. The reviews have identified a number of control deficiencies. Some of these include:

- funding agreements were not appropriately executed
- the lack of a central Contracts Register
- lack of documentation to support performance monitoring
- lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs
- lack of documented policies and procedures for a number of key areas of operation.

Funding and planning framework

The Department's Portfolio Executive approved the implementation of the 'Funding and Planning Framework for Non-Government Services' in late 2007. This framework sets out the model proposed for adoption by the Department in the planning of funding for NGOs.

In last year's Report it was indicated that this framework would be rolled out in 2008-09 and training would be provided to the appropriate staff.

During 2008-09, Audit noted that the framework has not been fully implemented. Audit was advised that a working group has been established to review the framework to make it easier to implement in day to day operations.

Whilst Audit acknowledges the direction that has been taken to develop improvement in policy, processes and controls over grant funding to NGOs, delay in the implementation of the framework is considered inconsistent with its intended objective of achieving improvements in the funding and accountability arrangements for NGOs.

Audit sought from the Department comments regarding the progress of the working group in reviewing the framework for expeditious implementation and any other significant developments in relation to the framework. The Department advised that implementation of the framework is in progress together with the development of various process tools to support the framework.

Significant future initiatives to funding to non-government organisations

Two significant initiatives will be occurring over the next twelve months that will require audit attention and review. These relate to the:

- centralisation of the procurement process
- implementation of a new contract management system.

The Department has provided an update on the progress of these initiatives including advice of implementation dates. The centralisation of procurement processes has commenced and it is anticipated that the new contract management system will operational by late 2009.

Authorisation of payments

NGO payments are made pursuant to agreements that have been entered into between the Department and the NGO. For most NGO payments the Department uses the DFC Funding and Grants Management System (FGMS) to generate the payment according to the payment schedule embodied in the respective agreements.

In accordance with TI 8, a payment or disbursement can only be made if it is approved by an employee with the appropriate expenditure delegation. Audit review of the FGMS users with the ability to release grant payments from FGMS to Masterpiece revealed that many of these users do not have the appropriate expenditure delegation. As a result a number of NGO payments have been made during 2008-09 without the appropriate authority. Accordingly, the Department's Controls Opinion for 2008-09 has been qualified in relation to grant funding to NGOs.

These matters were communicated to the Department and a positive response was received.

Commonwealth Government grants

Commonwealth Government grants represent a major source of revenue for the Department. In 2008-09 the Department received in excess of $1 billion in Commonwealth Government grants.

In 2008-09, Audit noted that there are a number of outstanding issues with respect to the agreement with the Department of Veteran's Affairs. Audit acknowledges that a number of these issues are outside of the control of the Department and that the Department has been proactive in trying to resolve these issues. These issues principally relate to the levels of activity and the resultant funding for that activity.

In addition, Audit identified some opportunities for improvement regarding the preparation and subsequent review of a number of key reconciliations.

In response the Department has advised that the issues with respect to the agreement with the Department of Veteran's Affairs are close to resolution. A positive response was received in relation to the reconciliation issues.

Payroll

Salaries and wages expenditure processed through the payroll system represents a significant expenditure item for the Department amounting to $80 million in 2008-09.

A Service Level Agreement was entered into by the Department for the period 1 July 2008 to 8 February 2009 with Southern Adelaide Health Service. From 9 February 2009 payroll processing for the Department has been undertaken by Shared Services SA.

This year's audit revealed that there has been improvement in the control environment particularly in the area of the bona fide certification process.

While improvement has been noted the following weaknesses were identified:

- absence of return of all bona fide certificates from departmental managers in the timeframe prescribed by the Department's policy
- officers with access to Corporate Online allowing others to use their login details
- the need to update policies and procedures in accordance with TI 2.

These matters were raised with the Department and a positive response advising specific remedial action was received.

Accounts payable

Effective 1 July 2008 accounts payable services are provided to the Department by Shared Services SA. These services were previously provided to the Department by DFC.

The scope of the 2008-09 audit included consideration of the control arrangements relating to the Masterpiece online purchasing, Basware and the accounts payable systems.

The main issues arising out of the audit were:

Authority to incur expenditure

TI 8.16 allows a responsible Minister to grant annually to a Chief Executive of a Government Department a standing authority to incur expenditure for the financial year. Where such an authority has been granted, the Chief Executive can in turn sub-delegate to officers of that public authority.

As part of the audit of the Department of Health for the year ending 30 June 2009, Audit obtained a copy of the delegation of authority to incur expenditure from the Minister of Health to the Chief Executive.

Audit was, however, unable to be provided with the Chief Executive Officer's sub-delegation to officers of the Department. In the absence of such a sub-delegation, all expenditure, with the exception of employee benefits and those transactions approved by the Chief Executive within his delegation were not appropriately authorised.

The administrative process of establishing and ensuring that proper delegations are in place and effectively managed warrants priority attention to prevent this serious control deficiency.

As a result the Department's Controls Opinion in relation to accounts payable for 2008-09 has been qualified.

Policies and procedures

From 1 July 2008 TI 2 became effective and requires that the Chief Executive develop, document and maintain policies and procedures in relation to expenditure transaction processing and that this is done on at least an annual basis. This places a regulatory requirement on the Department to ensure policies are current.

It was noted that a number of the accounts payable functions had either no policies or procedures or policies and procedures had not been reviewed or updated to reflect current practice.

Audit considered it important that responsibilities and processes are formally outlined so that officers within the Department are aware of their changed role and duties since the transition to Shared Services SA.

Other issues arising during 2008-09

Other areas of control weaknesses and opportunities for improvement in processes and controls included:

- vendor masterfile changes not being independently reviewed
- certain reconciliations not being independently reviewed
- instances of credit cards on issue to persons without the appropriate delegated authority.

These matters were raised with the Department and a positive response advising specific remedial action was received.

Accounts receivable

The results of the audit revealed a number of control weaknesses in the accounts receivable control environment. As a consequence, the Controls Opinion in relation to the accounts receivable control environment has been qualified for 2008-09.

The control weaknesses noted and raised with the Department included:

- a number of policies and procedures require update to reflect current practice
- lack of current policy and procedure in relation to debtor management
- absence of revenue delegations as required by TI 2.

The Department responded positively to the audit findings advising actions to address the weaknesses.

Further audit commentary

Health Care Act 2008

The *Health Care Act 2008* (HC Act) was proclaimed on 1 July 2008 and repealed the *South Australian Health Commission Act* and the *Hospitals Act 1934*. The HC Act aims to create a unified, single public health system, with improved state-wide coordination and integration of public health services. The HC Act gives the Department direct responsibility and accountability for managing South Australia's public health system, not just responsibility for funding it.

While the metropolitan health regions have continued to exist, Chief Executive Officers report directly to the Chief Executive of the Department, rather than to individual/separate Boards. In addition, the South Australian Ambulance Service continues to exist and the Chief Executive Officer also reports directly to the Chief Executive of the Department.

Country Health SA Hospital Incorporated is incorporated as a hospital under the HC Act. All of the country hospitals which were previously separately incorporated are now part of the Country Health SA Hospital Incorporated. Consistent with the metropolitan regions, Country Health SA Hospital Incorporated does not have a board of management. Instead it has a Chief Executive Officer who reports directly to the Chief Executive of the Department.

The HC Act also establishes an independent Health Performance Council that will review the performance of the health system and report on the health outcomes of South Australians.

In addition, The HC Act provides for the establishment of local Health Advisory Councils (HACs). HACs are incorporated or unincorporated advisory bodies, advising the Minister on the delivery of health services related to specific groups or regions.

Incorporated HACs in country South Australia will hold assets, manage bequests and provide advice on local health service needs and priorities.

Unincorporated HACs have also been established, including for South Australian Ambulance Service volunteers and for veterans, to advise the Minister on particular issues related to these groups.

In relation to the HC Act the audit of the operations of the 44 country based hospitals are now subject to audit by the Auditor-General. In addition, the HACs which are aligned with various country based hospitals are audited by an auditor approved by the Auditor-General.

Health unit special purpose funds

Health Regions and health units administer significant monies in special purpose funds. These funds are generally non-operating funds and include private practice funds, specific research grants, and funds received through fund raising activities undertaken by hospitals or voluntary organisations closely affiliated with the hospitals.

These funds need to be subject to good administration and accountability practices.

As part of the audit process of the Central Northern Adelaide Health Service (CNAHS), in December 2007 and June 2008, a number of matters regarding the need for improved accountability for special purpose funds were raised with the Chief Executive Officer of that health service.

The Chief Executive Officer’s detailed response of June 2008 advised that the need for a comprehensive review of these funds had been recognised, including management procedures, processes and internal controls. The response indicated that a review had commenced at the Royal Adelaide Hospital and that a key outcome of the review will be the development of consistent CNAHS wide policies and procedures.

In June 2008, Audit wrote to the Department suggesting that given the nature and materiality of special purpose funds across the health portfolio it may be appropriate to review accountability arrangements of special purpose funds across the health portfolio.

In response the Chief Executive of the Department advised that the Department would monitor the outcome of the review being undertaken at CNAHS and continue to monitor health unit special purpose funds.

During 2008-09 CNAHS engaged an external consultant to undertake a review of the processes and internal controls associated with special purpose funds. That review highlighted an absence of regional policies and procedures relating to special purpose funds and inadequate controls for a number of processes.

In May 2009, Audit was advised by CNAHS that work had commenced on implementing the recommendations of the consultant.

This outcome will be closely monitored by Audit, not only for its importance for CNAHS but for the health sector generally.

Implementation of the revised TIs 2 and 28 across the health regions

During the year, Audit requested advice from the regions on the matter of implementing the new TIs. In particular, details were sought to gain a good understanding of where each region is currently situated, and/or is planning actions in 2009-10, in addressing the elements of the TIs.

In response the regions indicated that some progress has been made in the implementation of the financial management compliance program that is a specific requirement of TI 28 and that deficiencies that have been identified will be addressed during 2009-10.

Audit will follow through on the specific progress made by the regions during 2009-10.

Procurement and Supply Chain Consolidation

In October 2008, the Department's Portfolio Executive gave approval to proceed with the Procurement and Supply Chain Consolidation Project.

The purpose of the Procurement and Supply Chain Consolidation Project is to develop a consolidated procurement and supply chain for the whole of SA Health. A starting point to this project was to assume the responsibility for the Supply SA Camden Park site and associated infrastructure from the Department of Treasury and Finance. The effective date for the transfer was 1 July 2008. In addition, from 1 July 2009 the Department has assumed responsibility for all procurement and supply chain activities across the health portfolio.

The full supply chain service is based on the premise of supplying goods across the health portfolio from a central warehouse rather than the current hospital based warehouses.

A project team has been established within the Department to manage this project. It is anticipated that the full supply chain model will be operational by July 2010.

As this consolidation measure has important efficiency and financial accountability implications this matter is to receive Audit attention and review in 2009-10.

Ernst & Young efficiency review

This review was originally established in April 2009 to look at all divisions of the Department to improve the efficiency and effectiveness of the business and to identify areas of duplication.

During the early stages of the discovery process the project was refocused to the finance and workforce/human resources functions in both the Department and the regions. Ernst & Young reported on their findings in August 2009. The major finding of the review was that the current service split between the Department and the regions could be significantly improved. The recommendations made by Ernst & Young include the development of a new finance and workforce/human services model across SA Health and the implementation of specific performance improvement projects within these areas with a focus on making processes consistent.

The Department's developments and actions in 2009-10 in addressing specific performance improvement areas will also receive Audit attention and review.

Whole of health finance, supply and asset management system

The Department is in the process of evaluating proposals for a whole of health finance, supply chain and asset management system. Once implemented the Department and the regions will operate on a single integrated financial management system. This whole of health financial management system will be a key component to the financial management practices reforms outlined above.

It is anticipated that a preferred provider will be selected in early 2009-10 with an implementation date of 1 July 2010.

Due to the significance of this project for whole of health financial management and accountability, Audit is to review at appropriate stages, aspects of the processes adopted for the procurement, project management and system implementation components of this new system.

Public Private Partnership – the New Royal Adelaide Hospital project

In December 2007, Cabinet approved that the construction of a new hospital which would be delivered under a Public Private Partnership procurement arrangement.

The project involves the construction of a new, state-of-the-art, purpose-built hospital on the existing rail yards next to the Adelaide Railway Station. The new hospital is expected to be opened in 2016.

Project expenditure incurred by the Department during 2008-09 totalled $12.5 million. Expenditure on this project to 30 June 2009 amounts to $16.3 million.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
EXPENSES		
Employee benefit expenses	**80**	68
Supplies, services and other expenses	**234**	193
Grants, subsidies and client payments	**3 141**	2 793
Total expenses	**3 455**	3 054
INCOME		
Rent, fees and charges	**119**	102
SA Government appropriations	**2 010**	1 811
Grants from SA Government agencies	**171**	55
Commonwealth Government grants	**1 042**	995
Other	**11**	12
Total income	**3 353**	2 975
Net result	**(102)**	(79)
OTHER COMPREHENSIVE INCOME		
Property, plant and equipment revaluation	**13**	-
Total comprehensive result	**(89)**	(79)
NET CASH USED IN OPERATING ACTIVITIES	**(111)**	(41)
ASSETS		
Current assets	**118**	93
Non-current assets	**111**	75
Total assets	**229**	168
LIABILITIES		
Current liabilities	**84**	92
Non-current liabilities	**123**	122
Total liabilities	**207**	214
EQUITY	**22**	(46)

Statement of Comprehensive Income

Income for 2008-09 amounted to $3.4 billion ($3 billion), and principally comprised SA Government appropriations of $2 billion ($1.8 billion) and Commonwealth Government Grants of $1 billion ($995 million).

Expenses were $3.5 billion ($3.1 billion), principally comprising grants, subsidies and client payments of $3.1 billion ($2.8 billion). Grants, subsidies and client payments includes funding to incorporated health services of $3 billion ($2.7 billion) and funding to NGOs of $64 million ($69 million). The increase in the funding provided to the incorporated health services results from increased activity in the public health system.

Statement of Financial Position

As at 30 June 2009, the Department has net assets of $22 million compared to a deficiency in 2007-08 of $46 million. While the Department recorded a deficit (net result) for the year ending 30 June 2009 of $102 million, this was offset by an equity contribution by the SA Government. This contribution of $156.5 million, received in June 2009, has significantly improved the net asset position of the Department.

Current assets

A significant proportion of the Department's current assets comprises cash and cash equivalents that increased by $18 million to $52 million as at 30 June 2009. The increase resulted principally from the equity contribution in June 2009 of $156.5 million.

In relation to cash and cash equivalents, the Department has unexpended funding commitments involving programs sourced from monies provided by the State and Commonwealth Governments (refer Note 18).

Statement of Cash Flows

In 2009 the Department recorded a net cash inflow of $18 million compared with a net cash inflow of $21 million during 2007-08.

The following table summarises the net cash flows for the four years to 2009.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**(111)**	(41)	(67)	(25)
Investing	**(26)**	(4)	(1)	(6)
Financing	**155**	66	25	57
Change in cash	**18**	21	(43)	26
Cash at 30 June	**52**	34	13	56

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	**2009**	2008
		$'000	$'000
EXPENSES:			
Employee benefit expenses	6	**80 042**	67 972
Supplies and services	7	**228 130**	188 382
Depreciation and amortisation	8	**2 014**	2 151
Grants, subsidies and client payments	9	**3 140 643**	2 792 804
Borrowing costs	10	**2 536**	2 722
Net loss from the disposal of non-current assets	15	**20**	429
Other expenses	11	**1 321**	16
Total expenses		**3 454 706**	3 054 476
INCOME:			
Revenues from rent, fees and charges	12	**119 441**	101 609
Commonwealth Government grants	13	**1 042 078**	995 193
Interest revenue	14	**3 015**	3 314
Other income	16	**7 870**	9 241
Total income		**1 172 404**	1 109 357
NET COST OF PROVIDING SERVICES		**(2 282 302)**	(1 945 119)
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	17.1	**2 009 505**	1 811 046
Grants from SA Government agencies	17.2	**170 768**	55 187
		2 180 273	1 866 233
NET RESULT		**(102 029)**	(78 886)
OTHER COMPREHENSIVE INCOME:			
Changes in property, plant and equipment asset revaluation reserve		**13 328**	-
TOTAL COMPREHENSIVE RESULT		**(88 701)**	(78 886)

Net result and comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	**2009** **$'000**	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	19	**51 974**	34 153
Receivables	20	**57 572**	55 717
Inventories	21	**8 730**	2 827
Total current assets		**118 276**	92 697
NON-CURRENT ASSETS:			
Receivables	20	**30 255**	32 765
Property, plant and equipment	22	**47 604**	36 148
Capital works in progress	22.1	**32 894**	6 628
Total non-current assets		**110 753**	75 541
Total assets		**229 029**	168 238
CURRENT LIABILITIES:			
Payables	23	**49 612**	68 281
Employee benefits	24	**11 823**	8 960
Borrowings	25	**2 219**	1 695
Provisions	26	**14 529**	11 215
Other current liabilities	27	**5 522**	1 709
Total current liabilities		**83 705**	91 860
NON-CURRENT LIABILITIES:			
Payables	23	**13 608**	17 350
Employee benefits	24	**10 634**	9 667
Borrowings	25	**23 233**	25 453
Provisions	26	**75 943**	69 791
Other non-current liabilities	27	**118**	327
Total non-current liabilities		**123 536**	122 588
Total liabilities		**207 241**	214 448
NET ASSETS		**21 788**	(46 210)
EQUITY:			
Contributed capital	28	**429 398**	272 873
Asset revaluation reserve	28	**32 117**	18 789
Retained earnings	28	**(439 727)**	(337 872)
TOTAL EQUITY		**21 788**	(46 210)

Total equity is attributable to the SA Government as owner

Unexpended funding commitments	18
Commitments	30
Contingent assets and liabilities	33

Statement of Changes in Equity
for the year ended 30 June 2009

	Note	Contributed capital $'000	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007		205 268	18 789	(259 543)	(35 486)
Net result for 2007-08		-	-	(78 886)	(78 886)
Total comprehensive result 2007-08		-	-	(78 886)	(78 886)
Transactions with SA Government as owner:					
Equity contribution from the Department of Treasury and Finance		67 605	-	-	67 605
Net assets transferred as a result of an administrative restructure	31	-	-	557	557
Net income recognised directly in equity for 2007-08		67 605	-	557	68 162
Balance at 30 June 2008	28	272 873	18 789	(337 872)	(46 210)
Net result for 2008-09		-	-	(102 029)	(102 029)
Gain on revaluation of property during 2008-09		-	14 026	-	14 026
Loss on revaluation of property during 2008-09		-	(608)	-	(608)
Derecognition of assets during 2008-09		-	(90)	90	-
Total comprehensive result 2008-09		272 873	32 117	(439 811)	(134 821)
Transactions with SA Government as owner:					
Equity contribution from the Department of Treasury and Finance		156 525	-	-	156 525
Net assets received from an administrative restructure	31	-	-	84	84
Net income recognised directly in equity for 2008-09		156 525	-	84	156 609
Balance at 30 June 2009	28	**429 398**	**32 117**	**(439 727)**	**21 788**

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

Statement of Cash Flows
for the year ended 30 June 2009

	Note	2009 Inflows (Outflows) $'000	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee payments		**(75 690)**	(65 394)
Supplies and services		**(262 789)**	(179 250)
Grants, subsidies and client payments		**(3 159 345)**	(2 801 081)
Interest paid		**(2 601)**	(2 770)
Other payments		**-**	(16)
Cash used in operations		**(3 500 425)**	(3 048 511)
CASH INFLOWS:			
Fees and charges		**128 375**	108 043
Receipts from Commonwealth		**1 042 078**	995 193
Interest received		**2 561**	2 788
GST refund from the ATO		**27 913**	25 594
Other receipts		**8 113**	9 248
Cash generated from operations		**1 209 040**	1 140 866
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**2 009 505**	1 811 046
Receipts from SA Government agencies		**170 768**	55 187
Total cash flows from SA Government		**2 180 273**	1 866 233
Net cash used in operating activities	34	**(111 112)**	(41 412)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(28 335)**	(6 932)
Cash used in investing activities		**(28 335)**	(6 932)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**-**	2
Repayment of loans		**2 499**	2 464
Cash generated from investing activities		**2 499**	2 466
Net cash used in investing activities		**(25 836)**	(4 466)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(1 696)**	(1 236)
Payments due to restructuring activities		**(60)**	-
Cash used in Financing Activities		**(1 756)**	(1 236)
CASH INFLOWS:			
Capital contributions from government (not operations)		**156 525**	67 605
Cash generated from financing activities		**156 525**	67 605
Net cash provided by financing activities		**154 769**	66 369
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17 821**	20 491
CASH AND CASH EQUIVALENTS AT 1 JULY		**34 153**	13 662
CASH AND CASH EQUIVALENTS AT 30 JUNE	19,34	**51 974**	34 153

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2009

(Activities - refer Note 5)	S1		S2	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**62 262**	40 765	**11 233**	9 842
Supplies and services	**157 941**	36 260	**31 922**	39 264
Depreciation and amortisation	**1 921**	381	**85**	23
Grants, subsidies and client payments	**172 897**	59 864	**6 276**	7 273
Borrowing costs	**2 536**	2 722	**-**	-
Net loss from disposal of assets	**14**	38	**-**	14
Other expenses	**1 321**	16	**-**	-
Total expenses	**398 892**	140 046	**49 516**	56 416
INCOME:				
Revenue from rent, fees and charges	**72 945**	6 497	**1 437**	1 478
Commonwealth Government grants	**19 755**	17 231	**40 007**	34 208
Interest revenue	**3 015**	3 314	**-**	-
Other	**7 255**	5 096	**399**	365
Total income	**102 970**	32 138	**41 843**	36 051
NET COST OF PROVIDING SERVICES	**(295 922)**	(107 908)	**(7 673)**	(20 365)
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	**2 009 505**	1 811 046	**-**	-
Grants from SA Government agencies	**161 420**	46 301	**-**	4
	2 170 925	1 857 347	**-**	4
NET RESULT	**1 875 003**	1 749 439	**(7 673)**	(20 361)

(Activities - refer Note 5)	S3		Total	
	2009	2008	**2009**	2008
EXPENSES:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**6 547**	17 365	**80 042**	67 972
Supplies and services	**38 267**	112 858	**228 130**	188 382
Depreciation and amortisation	**8**	1 747	**2 014**	2 151
Grants, subsidies and client payments	**2 961 470**	2 725 667	**3 140 643**	2 792 804
Borrowing costs	**-**	-	**2 536**	2 722
Net loss from disposal of assets	**6**	377	**20**	429
Other expenses	**-**	-	**1 321**	16
Total expenses	**3 006 298**	2 858 014	**3 454 706**	3 054 476
INCOME:				
Revenue from rent, fees and charges	**45 059**	93 634	**119 441**	101 609
Commonwealth government grants	**982 316**	943 754	**1 042 078**	995 193
Interest revenue	**-**	-	**3 015**	3 314
Other	**216**	3 780	**7 870**	9 241
Total income	**1 027 591**	1 041 168	**1 172 404**	1 109 357
NET COST OF PROVIDING SERVICES	**(1 978 707)**	(1 816 846)	**(2 282 302)**	(1 945 119)
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	**-**	-	**2 009 505**	1 811 046
Grants from SA Government agencies	**9 348**	8 882	**170 768**	55 187
	9 348	8 882	**2 180 273**	1 866 233
NET RESULT	**(1 969 359)**	(1 807 964)	**(102 029)**	(78 886)

Disaggregated Disclosures - Assets and Liabilities as at 30 June 2009

(Activities - refer Note 5)	S1		S2	
	2009	2008	**2009**	2008
CURRENT ASSETS:	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**51 974**	34 153	**-**	-
Receivables	**57 572**	55 717	**-**	-
Inventories	**8 730**	2 827	**-**	-
NON-CURRENT ASSETS:				
Non-current assets receivables	**30 255**	32 765	**-**	-
Property, plant and equipment	**80 211**	10 403	**247**	275
Total assets	**228 742**	135 865	**247**	275
CURRENT LIABILITIES:				
Payables	**49 612**	68 281	**-**	-
Employee benefits	**11 823**	8 960	**-**	-
Borrowings	**2 219**	1 695	**-**	-
Provisions	**14 529**	11 215	**-**	-
Other current liabilities	**5 522**	1 709	**-**	-
NON-CURRENT LIABILITIES:				
Payables	**13 608**	17 350	**-**	-
Employee benefits	**10 634**	9 667	**-**	-
Borrowings	**23 233**	25 453	**-**	-
Provisions	**75 943**	69 791	**-**	-
Other non-current liabilities	**118**	327	**-**	-
Total liabilities	**207 241**	214 448	**-**	-
NET ASSETS	**21 501**	(78 583)	**247**	275

(Activities - refer Note 5)	S3		Total	
	2009	2008	**2009**	2008
CURRENT ASSETS:	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	**-**	-	**51 974**	34 153
Receivables	**-**	-	**57 572**	55 717
Inventories	**-**	-	**8 730**	2 827
NON-CURRENT ASSETS:				
Non-current assets receivables	**-**	-	**30 255**	32 765
Property, plant and equipment	**40**	32 098	**80 498**	42 776
Total assets	**40**	32 098	**229 029**	168 238
CURRENT LIABILITIES:				
Payables	**-**	-	**49 612**	68 281
Employee benefits	**-**	-	**11 823**	8 960
Borrowings	**-**	-	**2 219**	1 695
Provisions	**-**	-	**14 529**	11 215
Other current liabilities	**-**	-	**5 522**	1 709
NON-CURRENT LIABILITIES:				
Payables	**-**	-	**13 608**	17 350
Employee benefits	**-**	-	**10 634**	9 667
Borrowings	**-**	-	**23 233**	25 453
Provisions	**-**	-	**75 943**	69 791
Other non-current liabilities	**-**	-	**118**	327
Total liabilities	**-**	-	**207 241**	214 448
NET ASSETS	**40**	32 098	**21 788**	(46 210)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Health

The Department of Health (the Department) is committed to protecting and improving the health of all South Australians by providing leadership in health reform, policy development and planning. The vision of the Department is the best health for South Australians.

To achieve this vision the Department is:

- strengthening primary health care
- enhancing hospital care
- reforming mental health care
- improving the health of Aboriginal people.

The Department is committed to a health system that produces positive health outcomes by focusing on health promotion, illness prevention and early intervention.

The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *Health Care Act 2008* (the Act), and other legislation as delegated by the Minister for Health and the Minister for Mental Health and Substance Abuse to the Chief Executive of the Department.

1.1 Departmental functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between health regions and health services incorporated under the Act.

The financial affairs of incorporated health services do not form part of the Department's financial statements. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

1.2 Administered items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in Note 36.

1.3 Administrative restructures

2008-09

- Effective 1 July 2008, assets and liabilities of the former Department of Treasury and Finance (Supply SA) Distribution Centre were transferred to the Department (refer to Note 31).

- Effective 5 June 2009, the Service Level Agreement between the Department and the Department for Families and Communities (DFC), hosted by DFC, ceased to exist with respect to financial accounting functions. The financial accounting functions returned to the Department and the Department recognised the associated employee liabilities transferred (refer to Note 31).

- The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared that the payroll services from the Workforce Development Division were to transition to Shared Services SA from October 2008. This transition was approved by Cabinet on 15 October 2007 (refer to Note 31).

- In December 2006, the Department approved the establishment of a statewide retrieval service under a single governance structure. This was to be achieved through a staged implementation plan. In order to facilitate this transition, the Statewide Retrieval Service was transferred from the Department of Health to the Central Northern Adelaide Health Service in January 2009.

2007-08

- Prior to 1 July 2007, the Department provided general accounting, financial accounting, financial systems and accounting policy advice to DFC. The provision of these services was covered by a service level agreement. Effective 1 July 2007, DFC became the provider of these services to the Department. A revised service level agreement reflected that the DFC was now the provider. The liabilities transferred were employee liabilities (refer to Note 31).

1.4 Funding for the Department

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

- Payment and recoveries from portfolio agencies for business service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources.

2. Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with:

- applicable AASs
- TIs and APSs promulgated under the provision of the PFAA
- other mandatory professional reporting requirements in Australia.

AASs include AIFRS. The Department has early-adopted the amendments to AASB 101. This is further outlined in Note 4.

The preparation of the financial statements requires the use of certain accounting estimates, where management is required to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgments or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes.

The preparation of the financial statements also requires compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in these financial statements:

- Revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.
- Expenses incurred as a result of engaging consultants.
- Employees whose normal remuneration is greater than $100 000 or more (within $10 000 bandwidths) and aggregate remuneration paid or payable or otherwise made available, directly or indirectly by the Department to those employees.
- Board/Committee member and remuneration information, where a Board/Committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle.

The existence of the Department and the ongoing delivery of current programs and services is dependent on government policy and on continuing appropriations by Parliament.

2.2 Reporting entity

The Department's financial statements include both departmental and administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as Notes to the accounts.

2.3 Transferred functions

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2008 (dated 1 September 2008) declared that payroll services from the Department transition to Shared Services SA from October 2008. This transition was approved by Cabinet on 15 October 2007 (refer to Note 31).

2.4 Comparative figures

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

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, eg preparation of a single Statement of Comprehensive Income.

2.5 Rounding

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

2.6 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 that:

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

2.7 Income and expenses

Income and expenses are recognised in the Department's Statement of Comprehensive Income when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

2.7 *Income and expenses (continued)*

Income and expenses have been classified according to their nature in accordance with APF II and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of services to other SA Government agencies and to the public.

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

Resources received/provided free of charge are recorded as income/expenditure in the Statement of Comprehensive Income at their fair value. Goods and Services received free of charge are recorded as such with revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or non-government organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.8 *Revenues from SA Government*

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 3.

Where money has been appropriated in the form of a loan, the Department 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 Department and the contribution is recorded as contributed equity.

2.9 *Dividends*

The Department did not receive any dividends.

2.10 *Current and non-current items*

Assets and liabilities are characterised as either current or non-current in nature. The Department 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.

2.11 *Cash and cash equivalents*

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

The Government has a policy to align agency cash balances with the appropriation and expenditure authority. During 2008-09 and 2007-08 the Department did not transfer any of its cash balance.

2.12 *Receivables*

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable 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 selling goods and services to other agencies and to the public.

Health service receivables

Health Service deficits are recognised in the Department's financial statements as a receivable from health services. At each balance date the likelihood that the health services may not be able to repay the amounts is assessed by the Department.

Doubtful debts

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

2.13 *Inventories*

The Department deems inventory to be held for distribution and to be measured at lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in/first-out method. Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates, the costs of conversion into finished products (eg labour and production overhead costs) and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

2.14 *Non-current asset acquisition and recognition*

Assets are initially recorded at cost 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 Statement of Financial Position. Where 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, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

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

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

2.15 *Revaluation of non-current assets*

In accordance with APF III:

- all non-current physical assets are valued at written down current cost (a proxy for the fair value)
- revaluation of non-current assets or group of assets is 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 Department revalues its land and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Asset classes that satisfied the criteria and are revalued include:

- vacant land
- site land
- vacant buildings
- building and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2009, based on independent valuations performed by:

- Andrew Lucas, MBA, BAppSc (Val), DipAcc, AAPI, CPV, Valcorp Australia Pty Ltd.

Assets deemed to be at fair value

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- leasehold improvements
- buildings and improvements in progress
- computing equipment
- other plant and equipment
- plant and equipment in progress.

2.16 *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, while depreciation is applied to physical assets such as property, plant and equipment.

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

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

2.16 Depreciation and amortisation of non-current assets (continued)

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

Class of asset	*Depreciation method*	*Useful life (years)*
Buildings and improvements	Straight-line	25-50
Leasehold improvements	Straight-line	Life of lease
Computer equipment/systems development	Straight-line	3
Other plant and equipment	Straight-line	3-15

2.17 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to $10 000, in accordance with Departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years.

2.18 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 normal operations of the Department.

Accrued expenses represents 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.

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

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

The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

2.19 Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

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 is estimated to be less than the annual entitlement of sick leave.

Annual leave

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2009 and is measured at the nominal amount.

Long service leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 2.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts.
- Discounting of 5.5 percent per annum based on the gross 10 year Commonwealth Bond rate prevailing at 30 June 2009.

Accrued salaries and wages

The liability for accrued salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

2.20 Provisions

Insurance

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to the South Australian Government Financing Authority, SAICORP Division, for professional indemnity insurance and general public liability insurance, and is responsible for the payment of claim amounts up to an agreed amount (the deductable). SAICORP provides the balance of funding for claims in excess of the deductable. For professional indemnity claims after 1 July 1994 and general public liability and property claims after 1 July 1999 the deductable per claim is $1 million. For claims incurred prior to these dates the deductable per claim is $50 000.

Insurance (continued)
The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

The provision for claims for general public liability insurance and property is a management assessment.

Workers compensation
The Department is an exempt employer under the WRCA. Under a scheme arrangement the Department and participating exempt health services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2008-09 financial year the Department has reflected a workers compensation provision of $1.4 million ($1.4 million). (Refer Note 26.)

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCover guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

The Department has agreed to specifically fund safety net funded health services for workers compensation expenditure and for lump sum settlements and for redemption payments. The Department also specifically funds non-safety net funded health services for workers compensation lump sum settlements and for redemption payments. Accordingly, the Department recognises a payable to health services equivalent to the liability for these specifically funded items which health services recognise as a provision in their financial statements. The workers compensation liability to health services as at 30 June 2009 is $17.6 million ($24.3 million). (Refer Note 23.)

2.21 Leases
The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

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

2.22 SA Government/non-SA Government disclosures
The Department has adopted the requirements of APF II where the Department must disclose by way of a Note whether transactions are with entities that are within or external to the SA Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

2.23 Continuity of operations
As at 30 June 2009, the Department had net assets of $21.8 million (net asset deficiency of $46.2 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Financial risk management
The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held-to-maturity investments) and liabilities (borrowings from the SA Government). 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. Change in accounting policy
4.1 Early adoption of accounting standards
Except for the amendments to AASB 101, which the Department has early-adopted, the AASs and Interpretations that have been recently issued or amended but are not yet effective, have not been adopted for the reporting period ending 30 June 2009. The Department has assessed the impact of new and amended standards and Interpretations and considers that there will be no impact on the accounting policies or financial statements of the Department.

4.2 Restructure of administrative arrangements

In accordance with the revised AASB 1004, the Department records administrative restructures of administrative arrangements as transactions with owners in their capacity as owners rather than recording these events as a revenue/expense item.

4.3 Other

The Department has early-adopted the September 2007 version of AASB 101 - this includes the preparation of a single Statement of Comprehensive Income. In accordance with the new accounting standard AASB 1052, the amounts of assets and liabilities reliably attributable to each activity has been disclosed.

5. Activities of the Department

In achieving its objective the Department provides a range of services classified into the following activities:

Activity S1: Central Office

Central Office is responsible for health policy and administration associated with the provision of health services across country and metropolitan South Australia.

Activity S2: Public Health

Public Health is responsible for the development and delivery of policy and programs in relation to health protection and promotion and illness prevention as well as the provision of high level clinical advice to enhance departmental decision making.

Activity S3: Health Services

Health Services is responsible for hospital based tertiary care and other acute services as well as rehabilitation, mental health and other community health services within the metropolitan and country areas, the provision of grants to non-government organisations for the provision of health services, and Aboriginal controlled primary health services provided to Aboriginal communities in Ceduna and Port Augusta and surrounding areas.

6. Employee benefit expenses

Employee benefit expenses	**2009 $'000**	2008 $'000
Salaries and wages	**59 435**	49 949
Long service leave	**2 741**	2 405
Annual leave	**5 182**	4 833
Employment on-costs (superannuation)	**7 783**	6 586
Workers compensation	**81**	273
Other	**4 820**	3 926
Total employee benefit expenses	**80 042**	67 972

Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:	Executive Number	Admin Number	Other medical/ professional Number	**2009 Total Number**	2008 Total Number
$100 000 - $109 999	3	30	9	**42**	33
$110 000 - $119 999	2	13	13	**28**	12
$120 000 - $129 999	-	3	1	**4**	3
$130 000 - $139 999	3	1	-	**4**	3
$140 000 - $149 999*	1	1	-	**2**	6
$150 000 - $159 999	7	1	-	**8**	4
$160 000 - $169 999	6	-	1	**7**	7
$170 000 - $179 999	3	-	1	**4**	2
$180 000 - $189 999	2	-	-	**2**	2
$190 000 - $199 999	1	-	-	**1**	2
$200 000 - $209 999	3	-	-	**3**	4
$210 000 - $219 999	2	-	-	**2**	2
$220 000 - $229 999	2	-	-	**2**	2
$230 000 - $239 999	1	-	-	**1**	-
$240 000 - $249 999	1	-	-	**1**	1
$250 000 - $259 999	-	-	-	**-**	1
$260 000 - $269 999	-	-	-	**-**	1
$270 000 - $279 999	1	-	-	**1**	1
$280 000 - $289 999*	-	-	2	**2**	1
$290 000 - $299 999	2	-	-	**2**	1
$300 000 - $309 999*	1	-	1	**2**	2
$310 000 - $319 999	2	-	-	**2**	-
$330 000 - $339 999	-	-	1	**1**	-
$350 000 - $359 999	-	-	1	**1**	-
$370 000 - $379 999	-	-	-	**-**	2
$380 000 - $389 999	2	-	-	**2**	1
$390 000 - $399 999	1	-	-	**1**	-
Total number of employees	46	49	30	**125**	93

Remuneration of employees (continued)

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.

* Where employees have left the Department, the remuneration reflects lump sum long service, annual leave and termination benefits.

The total remuneration received by these employees for the year was $19 million ($14.4 million).

For the purpose of this Note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

7. Supplies and services

	2009	2008
Total supplies and services provided:	$'000	$'000
Accommodation and property related	9 469	7 713
Advertising and promotions	2 213	2 398
Client related expenses	1	-
Communication and computing	56 209	55 545
Contractors and agency staff	36 842	18 618
Corporate services	1 511	2 024
Consultants	1 571	1 952
Drug supplies	35 579	41 993
Cost of sales medical supplies	2 677	-
Internal Audit	540	658
Insurance	34 135	19 569
Interpreter and translator fees	17	29
Interstate patient transfers	27 126	20 088
Managed payments	2	3
Minor equipment	878	372
Motor vehicles	925	762
Printing, stationery, postage and periodicals	2 149	1 959
Seminars, courses and training	2 242	2 487
Travel and accommodation	1 900	1 933
Other administration	11 850	10 018
Supplies and services	**227 836**	188 121
Audit fees paid/payable to the Auditor-General's Department	294	261
Total audit fees	**294**	261
Total supplies and services	**228 130**	188 382

Other services

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

	2009	2008
Supplies and services provided by entities within the SA Government:		
Accommodation and property related	8 210	6 925
Advertising and promotions	25	25
Communication and computing	4 981	5 659
Contractors and agency staff	9 538	4 348
Corporate services	1 511	2 024
Consultants	-	5
Drugs and medical supplies	134	1 707
Cost of sales medical supplies	11	-
Internal Audit	540	658
Insurance	19 120	18 093
Interpreter and translator fees	14	-
Managed payments	2	3
Minor equipment	17	26
Motor vehicles	812	704
Printing, stationery, postage and periodicals	1	70
Seminars, courses and training	693	255
Travel and accommodation	25	15
Other administration	3 014	3 954
Supplies and services - SA Government Entities	**48 648**	44 471
Audit fees paid/payable to the Auditor-General's Department	294	261
Audit fees - SA Government entities	**294**	261
Total supplies and services provided by entities within the SA Government	**48 942**	44 732

Other services (continued)

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

	2009		2008	
	Number	**$'000**	Number	$'000
Below $10 000	**9**	**48**	12	71
Between $10 000 and $50 000	**20**	**472**	11	290
Above $50 000	**8**	**1 051**	7	1 591
Total paid / payable to the consultants engaged	**37**	**1 571**	30	1 952

8. Depreciation and amortisation

	Note	2009	2008
Depreciation:		**$'000**	$'000
Buildings and improvements		**99**	95
Medical, surgical, dental and biomedical equipment		**6**	6
Other plant and equipment		**66**	58
Computing equipment		**1 457**	1 731
Total depreciation		**1 628**	1 890
Amortisation:			
Leasehold improvements		**386**	261
Total amortisation		**386**	261
Total depreciation and amortisation		**2 014**	2 151

9. Grants, subsidies and client payments

	Note	2009	2008
Recurrent funding to incorporated health services	9.1	**2 896 115**	2 570 220
Capital funding to incorporated health services	9.2	**147 174**	121 283
Funding to non-government organisations	9.3	**63 682**	68 752
National Blood Authority		**24 173**	21 593
Other		**9 499**	10 956
Total grant, subsidies and client payments		**3 140 643**	2 792 804
Grants, subsidies and client payments to entities within the SA Government:			
Recurrent funding to incorporated health services	9.1	**2 896 115**	2 570 220
Capital funding to incorporated health services	9.2	**147 174**	121 283
Other		**7 529**	7 969
Total grant, subsidies and client payments to entities within the SA Government		**3 050 818**	2 699 472

9.1 Recurrent funding to incorporated health services

	2009	2008
Central Northern Adelaide Health Service	**1 419 024**	1 203 491
Southern Adelaide Health Service	**639 557**	449 193
Children's, Youth and Women's Health Service	**288 620**	274 270
Country Health South Australia	**456 553**	431 748
Repatriation General Hospital	**-**	117 730
Institute of Medical and Veterinary Science	**-**	34 270
Metropolitan Domiciliary Care	**-**	(642)
South Australian Ambulance Service	**92 189**	58 682
Other	**172**	1 478
Total recurrent funding to incorporated health services	**2 896 115**	2 570 220

As a result of the proclamation of the *Health Care Act 2008* effective 1 July 2008, the Repatriation General Hospital joined Southern Adelaide Health Service and the Institute of Medical and Veterinary Science became SA Pathology and joined the Central Northern Adelaide Health Service.

9.2 Capital funding to incorporated health services

	2009	2008
	$'000	$'000
Central Northern Adelaide Health Service	**57 660**	58 064
Southern Adelaide Health Service	**55 943**	37 841
Children's, Youth and Women's Health Service	**3 422**	3 737
Country Health South Australia	**18 863**	12 574
Repatriation General Hospital	**-**	1 422
Institute of Medical and Veterinary Science	**-**	1 292
South Australian Ambulance Service	**11 286**	6 206
Other	**-**	147
Total capital funding to incorporated health services	**147 174**	121 283

As a result of the proclamation of the *Health Care Act 2008* effective 1 July 2008, the Repatriation General Hospital joined Southern Adelaide Health Service and the Institute of Medical and Veterinary Science became SA Pathology and joined the Central Northern Adelaide Health Service.

9.3 Funding to non-government organisations

	2009	2008
	$'000	$'000
Australian Red Cross	**1 585**	1 412
Royal District Nursing Service of SA Inc	**10 683**	10 001
Uniting Care Wesley	**3 552**	2 801
Centacare	**1 061**	951
Neami Limited	**3 307**	1 953
SHINE SA	**4 388**	4 580
Life without Barriers	**2 991**	2 058
The Richmond Fellowship of Victoria	**2 777**	1 149
The Richmond Fellowship of South Australia	**-**	757
Aboriginal Health Council	**1 949**	1 893
South Australian Division of General Practice Inc	**1 617**	3 244
Southern Cross Care (SA) Inc	**1 264**	1 099
Relationships Australia	**1 360**	1 321
Nganampa Health Council	**77**	1 278
Mental Illness Fellowship of SA	**1 068**	569
Beyond Blue	**278**	278
Aged Care and Housing Group Inc	**-**	6 572
The Flinders University	**2 663**	2 600
AIDS Council of South Australia Incorporated	**1 282**	1 258
Aboriginal Sobriety Group Inc	**554**	695
Adelaide Diocesan AIDS Council	**610**	598
Baptist Community Services	**556**	602
Hepatitis-C Council	**630**	622
Anangu Pitjantjatjara Yankunytjatjara Lands	**242**	3 657
National Health Call Centre	**2 586**	1 634
People living with HIV/AIDS	**464**	507
University of Adelaide	**1 161**	1 183
University of South Australia	**879**	815
Anglicare	**1 273**	993
General Practice SA	**1 860**	-
Other	**10 965**	11 672
Total funding to non-government organisations	**63 682**	68 752

10. Borrowing costs

Borrowing costs paid/payable to entities within the SA Government:		
Interest on borrowings	**2 482**	2 680
Other	**54**	42
Total borrowing costs - SA Government entities	**2 536**	2 722
Total borrowing costs	**2 536**	2 722

11. Other expenses

Other expenses paid/payable:		
Bad and doubtful debts	**(619)**	16
Assets donated free of charge	**1 940**	-
Total other expenses	**1 321**	16
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	**(619)**	16
Assets donated free of charge	**1 940**	-
Total other expenses - SA Government	**1 321**	16

12. Revenue from rent, fees and charges

Rent, fees and charges received/receivable:		
Interstate patient transfers	**43 667**	40 704
Insurance recoveries from health services	**28 423**	26 946
Recoveries	**41 156**	27 478
Business services	**1 176**	3 260
Sale of goods - medical supplies	**3 260**	-
Fees, fines and penalties	**1 749**	3 186
Rent	**10**	35
Total rent, fees and charges	**119 441**	101 609

		Note	2009	2008
12.	**Revenue from rent, fees and charges**		**2009**	2008
	Rent, fees and charges received/receivable from entities within the SA Government:	Note	**$'000**	$'000
	Insurance recoveries from health services		**27 757**	25 555
	Recoveries		**38 653**	24 907
	Business services		**779**	2 193
	Sale of goods - medical supplies		**3 234**	-
	Fees, fines and penalties		**614**	18
	Total rent, fees and charges - SA Government		**71 037**	52 673
13.	**Commonwealth Government grants**			
	Australian Health Care Agreement - Base funding arrangement		**842 807**	804 014
	COAG Patient Initiative		**4 490**	5 650
	Elective surgery		**8 200**	8 500
	Department of Veteran's Affairs		**72 357**	71 363
	Highly specialised drugs		**45 603**	42 168
	Public Health Outcome Funding Agreement		**13 021**	12 766
	Essential vaccines		**35 149**	29 333
	Police diversion		**3 506**	3 255
	Woomera Hospital		**1 216**	1 192
	Red Cross		**505**	-
	Transition Care Program		**7 732**	5 906
	Other		**7 492**	11 046
	Total Commonwealth Government grants		**1 042 078**	995 193
14.	**Interest revenue**			
	Interest from entities within SA Government:			
	Interest on funds held		**6**	3
	Interest on loans		**3 009**	3 311
	Total interest revenue		**3 015**	3 314
15.	**Net loss from the disposal of non-current assets**			
	General plant and equipment:			
	Proceeds from disposal		**-**	2
	Net book value of assets disposed		**(20)**	(431)
	Net loss from disposal of general plant and equipment		**(20)**	(429)
	Total assets:			
	Total proceeds from disposal		**-**	2
	Total value of assets disposed		**(20)**	(431)
	Total net loss from the disposal of non-current assets		**(20)**	(429)
16.	**Other income**			
	Capital contributions		**363**	3 005
	Assets received for nil consideration	16.1	**13**	-
	SA Health and Medical Research Fund		**5 103**	2 666
	Other		**2 391**	3 570
	Total other income		**7 870**	9 241
	Other income from entities within SA Government:			
	Capital contributions		**363**	3 005
	Assets received for nil consideration	16.1	**13**	-
	SA Health and Medical Research Fund		**5 081**	2 666
	Other		**1 712**	1 383
	Total other income from entities within SA Government		**7 169**	7 054

16.1 Assets received for nil consideration

During the reporting period the Department received the following assets free of charge or for nominal consideration:

	2009	2008
Office equipment	**13**	-
Total assets received for nil consideration	**13**	-

17. Revenues from SA Government

17.1 Revenues from SA Government

	2009	2008
Appropriations from Consolidated Account pursuant to the *Appropriation Act*:	**2 005 034**	1 811 046
Commonwealth grants received via Treasury	**4 471**	-
Total SA Government Appropriations	**2 009 505**	1 811 046

17.2 Grants from SA Government agencies	**2009**	2008
	$'000	$'000
Community Development Fund	**6 600**	6 600
Department of Treasury and Finance - Contingency Funds	**161 246**	45 737
Other	**2 922**	2 850
Total grants from SA Government agencies	**170 768**	55 187
Total revenue from SA Government	**2 180 273**	1 866 233

18. Unexpended funding commitments

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. The Department had outstanding funding commitments to the following programs:

	2009	2008
	$'000	$'000
Australian Immunisation Agreement	**7 527**	7 515
Public Health Outcome Funding Agreement	**567**	1 134
Police Drug Diversion	**150**	462
ACHA Quality Development Funding	**-**	1 158
Healthconnect Project	**89**	783
Australian Better Health Initiative	**1 135**	760
Country Drought Funding	**-**	569
Quality through Outcomes in Mental Health Care	**-**	358
CanNet Program	**236**	295
Clinical Networks	**-**	290
'Do it for Life' Program	**-**	390
Safety and Quality (inc Hand Hygiene, Safe TECH)	**124**	1 161
COAG - Improving Care for Older Patients in Public Hospitals	**-**	861
Commonwealth Elective Surgery Strategy	**-**	5 853
Health and Medical Research Fund	**306**	317
Expanded Specialist Training Program	**1 835**	-
Clinical Management and Nursing Administration system	**1 896**	-
COAG - National eHealth Transition Authority	**481**	-
National Bowel Cancer Screening Program	**290**	-
Immunisation Incentive Fund	**271**	-
Gynaecological Cancers Workforce Project	**200**	-
Other	**1 039**	1 113
Total unexpended funding commitments	**16 146**	23 019

19. Cash and cash equivalents

Special deposit account with the Treasurer and cash at bank	***51 894**	*34 073
Advance account	**80**	80
Total cash and cash equivalents	**51 974**	34 153

* Included in the Special Deposit Account with the Treasurer is $6.7 million ($2.7 million) relating to the Health and Medical Research Fund which was established to support health and medical research activities in South Australia.

20. Receivables

		2009	2008
Current:	Note	**$'000**	$'000
Debtors		**17 396**	10 768
Provision for doubtful debts		**(105)**	(728)
Health service budget over-runs		**462**	-
Grants		**1 323**	2 061
Interstate patient transfers		**24 215**	32 927
Loans	20.1	**2 464**	1 935
Prepayments		**3 139**	3 584
Interest		**79**	144
Overpaid salaries		**20**	32
Sundry receivables and accrued revenue		**4 776**	1 370
GST receivable		**3 803**	3 624
Total current receivables		**57 572**	55 717
Non-current:			
Loans	20.1	**30 238**	32 747
Sundry receivables and accrued revenue		**17**	18
Total non-current receivables		**30 255**	32 765
Total receivables		**87 827**	88 482

20. Receivables (continued)

Current and non-current receivables from SA Government entities:	2009 $'000	2008 $'000
Debtors	**13 365**	8 120
Provision for doubtful debts	**(95)**	(717)
Health service budget over-runs	**462**	-
Loans	**32 702**	34 682
Interest	**79**	144
Sundry receivables	**1 551**	1 277
Total receivable from entities within SA Government	**48 064**	43 506

Movement in the allowance for doubtful debts

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

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Bad and doubtful debts

The Department has recognised a bad and doubtful debt expense of $619 000 in the Statement of Comprehensive Income.

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 allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity and analysis of receivables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

20.1 Reconciliation of inter-health loans

As at 30 June 2008 the balance of loans to health services and related movements is as follows:	2009 $'000	2008 $'000
Balance at 1 July	**34 682**	36 572
Capitalised interest charges	**519**	574
Total repayable	**35 201**	37 146
Principal repayments received	**(2 499)**	(2 412)
Interest rebated	**-**	(52)
Balance at 30 June	**32 702**	34 682

The Department to 30 June 2009 has financed the health services with loans amounting to $7.3 million ($7.6 million) from Departmental funds and $25.5 million ($27.1 million) from back-to-back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back-to-back loan arrangements are as follows:

	2009 $'000	2008 $'000
Balance at 1 July	**27 148**	28 384
Principal repayments	**(1 696)**	(1 236)
Balance at 30 June	**25 452**	27 148

21. Inventories

	2009	2008
Drug supplies	**7 424**	2 640
Other	**1 306**	187
Total Inventories	**8 730**	2 827

22. Property, plant and equipment

Land and buildings:	2009	2008
Vacant land at fair value	**32 701**	21 812
Site land at fair value	**5 919**	4 811
Vacant buildings at fair value	**168**	735
Buildings and improvements at fair value	**4 850**	3 523
Accumulated depreciation - buildings and improvements at fair value	**(4)**	(245)
Total land and buildings	**43 634**	30 636

22. Property, plant and equipment (continued)	2009	2008
Leasehold improvements:	$'000	$'000
Leasehold improvements at cost (deemed fair value)	3 369	2 891
Accumulated amortisation	(1 309)	(923)
Total leasehold improvements	2 060	1 968
Plant and equipment:		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	28	28
Accumulated depreciation - medical, surgical, dental and biomedical equipment	(11)	(6)
Computing equipment at cost (deemed fair value)	4 395	6 752
Accumulated depreciation - computing equipment at cost	(2 990)	(3 866)
Other plant and equipment at cost (deemed fair value)	703	809
Accumulated depreciation - other plant and equipment	(215)	(173)
Total plant and equipment	1 910	3 544
Total property, plant and equipment at fair value	52 133	41 361
Total accumulated depreciation	(3 220)	(4 290)
Total amortisation	(1 309)	(923)
Total property, plant and equipment	47 604	36 148

Impairment:

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2009.

22.1 Capital works in progress

	2009	2008
Computer systems development in progress at cost (deemed fair value)	32 894	6 628
Total capital works in progress	32 894	6 628

Reconciliation of property and leasehold improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2008-09:

	Vacant land $'000	Site land $'000	Vacant buildings $'000	Buildings & imprvmts $'000	Leasehold imprvmts $'000	Total property & leasehold imprvmts $'000
Carrying amount at 1 July	21 812	4 811	735	3 278	1 968	32 604
Purchases	-	1 555	-	-	5	1 560
Assets donated free of charge	(890)	(550)	(500)	-	-	(1 940)
Revaluation increment (decrement)	11 779	103	(67)	1 603	-	13 418
Depreciation and amortisation	-	-	-	(99)	(386)	(485)
Acquisition through administrative restructure	-	-	-	64	321	385
Acquisition from transfers from other classes	-	-	-	-	152	152
Carrying amount at 30 June	32 701	5 919	168	4 846	2 060	45 694

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2008-09:

	Medical, surgical, biomedical equipment $'000	Computing equipment $'000	Other plant & equipment $'000	Total Plant and Equipment $'000
Carrying amount at 1 July	22	2 886	636	3 544
Purchases	-	-	54	54
Assets donated free of charge	-	-	13	13
Disposals	-	(8)	(13)	(21)
Depreciation and amortisation	(6)	(1 457)	(66)	(1 529)
Disposal from transfers from other classes	-	(16)	(136)	(152)
Other movements	1	-	-	1
Carrying amount at 30 June	17	1 405	488	1 910

Valuation of land and buildings

The valuation of land and buildings was performed by Andrew Lucas, an independent valuer from Valcorp Australian Pty Ltd as at 30 June 2009. 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.

Impairment

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2009

Resources received free of charge

On 29 June 2009 the Department for Families and Communities donated a photocopier to the Department.

23. Payables

	2009	2008
Current:	$'000	$'000
Creditors	**23 521**	35 584
Interstate patient transfers	**17 366**	20 716
Health service workers compensation	**5 216**	8 010
Health service budget under-runs	**298**	-
Grants	**1 428**	2 471
Interest	**79**	144
Employee benefit on-costs	**1 704**	1 356
Total current payables	**49 612**	68 281
Non-current:		
Health service workers compensation	**12 344**	16 307
Grants	**174**	171
Employee benefit on-costs	**1 090**	872
Total non-current payables	**13 608**	17 350
Total payables	**63 220**	85 631
Payables to entities within SA Government:		
Creditors	**10 454**	17 999
Health service workers compensation	**17 560**	24 317
Health service budget under-runs	**298**	-
Interest	**79**	144
Employee benefit on-costs	**2 795**	2 228
Total payables to entities within SA Government	**31 186**	44 688

As a result of an actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate 35 percent to 45 percent and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2008 rate of 11 percent to 10.3 percent. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

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

Maturity analysis of payables - refer to Note 29.

Categorisation of financial instruments and risk exposure information - refer to Note 29.

24. Employee benefits

	2009	2008
Current:	$'000	$'000
Annual leave	**6 756**	5 593
Long service leave	**3 187**	2 132
Accrued salaries and wages	**1 939**	1 363
Other	**(59)**	(128)
Total current employee benefits	**11 823**	8 960
Non-current:		
Long service leave	**10 634**	9 667
Total non-current employee benefits	**10 634**	9 667
Total employee benefits	**22 457**	18 627

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) is $13.5 million ($10.3 million) and $11.7 million ($10.5 million) respectively.

As a result of an actuarial assessment performed by Mercer Human Resource Consulting Pty Ltd, a benchmark for the measurement of long service leave liability was not used as actual data was used. The impact on the financial year and future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key consumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate 4.5 percent.

25. Borrowings		**2009**	2008
Current:	Note	**$'000**	$'000
Department of Treasury and Finance - Loans		**2 219**	1 695
Total current borrowings		**2 219**	1 695
Non-current:			
Department of Treasury and Finance - Loans		**23 233**	25 453
Total non-current borrowings		**23 233**	25 453
Total borrowings		**25 452**	27 148
Repayable:			
Not later than one year		**2 219**	1 695
Later than one year but not later than five years		**6 071**	5 891
Later than five years		**17 162**	19 562
		25 452	27 148

26. Provisions			
Current:			
Insurance	26.1	**13 863**	10 522
Workers compensation	26.2	**411**	453
Other		**255**	240
Total current provisions		**14 529**	11 215
Non-current:			
Insurance	26.1	**74 989**	68 806
Workers compensation	26.2	**954**	985
Total non-current provisions		**75 943**	69 791
Total provisions		**90 472**	81 006

26.1 Reconciliation of insurance

The following table shows the movement of insurance during:

2009	**Medical malpractice $'000**	**Public liability $'000**	**Property $'000**	**Total $'000**
Carrying amount at 1 July	**76 379**	**2 137**	**812**	**79 328**
Increase to provision due to new claims	**5 686**	**185**	**1 704**	**7 575**
Reduction due to payments	**(7 459)**	**(657)**	**(1 166)**	**(9 282)**
Net revision of estimates	**11 119**	**200**	**(88)**	**11 231**
Carrying amount at 30 June	**85 725**	**1 865**	**1 262**	**88 852**
2008				
Carrying amount at 1 July	80 160	2 107	1 819	84 086
Increase to provision due to new claims	4 873	248	1 038	6 159
Reduction due to payments	(4 175)	(494)	(2 453)	(7 122)
Net revision of estimates	(4 479)	276	408	(3 795)
Carrying amount at 30 June	76 379	2 137	812	79 328

26.2 Reconciliation of workers compensation

The following table shows the movement of insurance during 2008-09:

	2009	2008
	$'000	$'000
Carrying amount at 1 July	**1 438**	1 466
Increase to provision due to revision of estimates	**81**	274
Reduction due to payments	**(154)**	(302)
Carrying amount at 30 June	**1 365**	1 438

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries. Those claims that are expected to be settled within the next financial year have been reflected as the current portion of the provision.

27. Other liabilities	**2009**	2008
Current:	**$'000**	$'000
Unclaimed monies	**1 140**	1 087
Unearned revenue	**4 290**	532
Other	**92**	90
Total current other liabilities	**5 522**	1 709

		2009	2008
27.	**Other liabilities (continued)**		
	Non-current:	**$'000**	$'000
	Unearned revenue	**118**	327
	Total non-current other liabilities	**118**	327
	Total other liabilities	**5 640**	2 036
	Other liabilities within SA Government:		
	Current:		
	Unclaimed monies	**180**	140
	Unearned revenue	**570**	348
	Total other current liabilities within SA Government	**750**	488
	Non-current:		
	Unearned revenue	**118**	327
	Total other non-current liabilities within SA Government	**118**	327

28. Equity

	2009	2008
Contributed capital	**429 398**	272 873
Retained earnings	**(439 727)**	(337 872)
Asset revaluation reserve	**32 117**	18 789
Total equity	**21 788**	(46 210)

28.1 Contributed capital

	2009	2008
Balance at 1 July	**272 873**	205 268
Receipt of equity contribution from the Department of Treasury and Finance	**156 525**	67 605
Balance at 30 June	**429 398**	272 873

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

29. Financial instruments

29.1 Categorisation of financial instruments

		2009		2008	
	Note	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Financial assets:					
Cash and cash equivalents	19	**51 974**	**51 974**	34 153	34 153
Loans and receivables	20	**84 024**	**84 024**	84 858	84 858
Financial liabilities:					
Payables	23	**63 220**	**63 220**	85 631	85 631
Interest bearing liabilities	25	**25 452**	**25 452**	27 148	27 148

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.2 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

In accordance with TI 23 the Department entered into six forward exchange contracts through the South Australian Government Financing Authority, to cover the acquisition of hospital equipment. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign exchange.

29.3 Ageing analysis of financial assets

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

	Past due by			
2009	**Overdue for less than 30 days $'000**	**Overdue for 30-60 days $'000**	**Overdue for more than 60 days $'000**	**Total $'000**
Not impaired:				
Receivables	**4 799**	**3 586**	**412**	**8 7 97**
Impaired:				
Receivables	**-**	**-**	**(105)**	**(105)**
	4 799	**3 586**	**307**	**8 692**

29.3 Ageing analysis of financial assets (continued)

2008	Past due by: Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:				
Receivables	280	55	972	1 307
Impaired:				
Receivables	-	-	(728)	(728)
	280	55	244	579

The amount of receivables and payables disclosed above, excludes statutory receivables and payables such as GST input tax credit payable and recoverable.

29.4 Maturity analysis of financial assets and liabilities

	Carrying amount	**Contractual maturity: Less than 1 year**	**1-5 years**
2009	**$'000**	**$'000**	**$'000**
Financial assets:			
Cash and cash equivalents	**51 974**	**51 974**	**-**
Receivables	**84 024**	**53 769**	**30 255**
Total financial assets	**135 998**	**105 743**	**30 255**
Financial liabilities:			
Payables	**63 220**	**49 612**	**13 608**
Borrowings	**25 452**	**2 219**	**23 233**
Total financial liabilities	**88 672**	**51 831**	**36 841**
2008			
Financial assets:			
Cash and cash equivalents	34 153	34 153	-
Receivables	84 858	52 093	32 765
Total financial assets	119 011	86 246	32 765
Financial liabilities:			
Payables	85 631	68 281	17 350
Borrowings	27 148	1 695	25 453
Total financial liabilities	112 779	69 976	42 803

Maturity analysis of receivables and payables excludes statutory receivables and payables such as GST receivables and payables.

29.5 Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continued appropriations by Parliament for the Department's administration and programs delivery. The Department settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received.

30. Unrecognised contractual commitments

30.1 Capital commitments

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

	2009	2008
	$'000	$'000
Not later than one year	**26 413**	12 007
Later than one year but not later than five years	**2 200**	550
Total capital commitments (including GST)	**28 613**	12 557

Included in capital expenditure commitments above is $2.6 million ($1.1 million) which is the GST component of the capital expenditure commitments.

30.2 Other commitments

Capital expenditure contracted by the Department of behalf of health units

Capital expenditure contracted for by the Department on behalf of health units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2009	2008
	$'000	$'000
Not later than one year	**31 376**	54 640
Later than one year but not later than five years	**46 079**	64 340
Total other commitments (including GST)	**77 455**	118 980

Capital expenditure contracted by the Department of behalf of Health Units (continued)

Included in the other expenditure commitments above is $13.9 million ($11.3 million) which is the GST component of the other expenditure commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2009 has not been quantified.

30.3 Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2009	2008
	$'000	$'000
Not later than one year	**7 679**	6 153
Later than one year but not later than five years	**11 770**	11 409
Total operating lease commitments (including GST)	**19 449**	17 562

Included in the operating lease commitments above is $1.8 million ($1.8 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

30.4 Operating lease revenue commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets, are receivables:

	2009	2008
	$'000	$'000
Not later than one year	**12 875**	11 737
Later than one year but not later than five years	**26 921**	25 264
Total operating lease revenue commitments (including GST)	**39 796**	37 001

Included in the operating lease revenue commitments above is $3.6 million ($3.4 million) of GST. The operating lease relates to desktop PCs owned by the Department and leased to hospitals, health units and allied agencies. The lease is non-cancellable with a replacement of desktop PCs in a four year cycle.

31. Transferred functions

Transferred in

Effective 1 July 2008, assets and liabilities of the former Department of Treasury and Finance (Supply SA) Distribution Centre were transferred to the Department. The Department purchased the inventory on hand in the warehouse at 30 June 2008 from the Department of Treasury and Finance.

Effective 5 June 2009, the service level agreement for a shared financial service between the Department and DFC hosted by DFC ceased to exist with respect to financial accounting functions. The financial accounting functions returned to the Department and the Department recognised the liabilities reflected below:

	DTF Distribution Centre	**DFC**	**2009 Total**
Non-current assets:	**$'000**	**$'000**	**$'000**
Property, plant and equipment	**385**	**-**	**385**
Total assets	**385**	**-**	**385**
Current liabilities:			
Payables	**19**	**2**	**21**
Employee benefits	**114**	**15**	**129**
Non-current liabilities:			
Payables	**10**	**1**	**11**
Employee benefits	**115**	**12**	**127**
Total liabilities	**258**	**30**	**288**
Net assets transferred in	**127**	**(30)**	**97**

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial position immediately prior to transfer. The net assets were treated as a contribution by the SA Government as owner.

Transferred out

Transfer to Shared Services SA

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007 State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in the Department of Treasury and Finance.

Transfer to Shared Services SA (continued)
The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as tranches. In most cases these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 1 services on 15 October 2007, which comprised accounts payable, accounts receivable and payroll services.

Two employees of the Workforce Development Division and the assets and liabilities reflected below were transferred to Shared Services SA.

Transfer of SA Retrieval Services to Central Northern Adelaide Health Service
In December 2006 the Department approved the establishment of a statewide retrieval service under a single governance structure. This was to be achieved through a staged implementation plan. In order to facilitate this transition, the Statewide Retrieval Service was transferred from the Department of Health to the Central Northern Adelaide Health Service in January 2009.

The effective date was 1 January 2009.

	SA Retrieval Service $'000	**Shared Services SA $'000**	**2009 Total $'000**
Current assets:			
Cash	**-**	**60**	**60**
Total assets	**-**	**60**	**60**
Current liabilities:			
Payables	**-**	**1**	**1**
Employee benefits	**17**	**14**	**31**
Non-current liabilities:			
Payables	**-**	**1**	**1**
Employee benefits	**-**	**14**	**14**
Total liabilities	**17**	**30**	**47**
Net assets transferred out	**(17)**	**30**	**13**

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

Transfers from the Department during 2007-08
Prior to 1 July 2008, the Department provided general accounting, financial systems and accounting policy to DFC. The provision of these services was covered by a service level agreement. Effective 1 July 2008, DFC became the provider of these services to the Department. A revised service level agreement reflected that the DFC is now the provider. The liabilities transferred are employee liabilities.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2007-08.

	2008 Total $'000
Assets:	
Current assets	-
Non-current assets	-
Total assets	-
Liabilities:	
Current liabilities	(170)
Non-current liabilities	(387)
Total liabilities	(557)
Net assets transferred	(557)

32. Remuneration of Board and Committee members

There are various Committees, Forums, groups, panels and councils that have been formed to assist the Department in meeting its objectives. In addition, there are committees that have been created by the Minister. Where any of the members are remunerated, certain disclosures are required under the APFs issued by the Department of Treasury and Finance.

Members of Boards/Committees that served for all or part of the financial year were:

DH Risk Management and Audit Committee

Dr Stephen Christley
Ross Haslam
Robyn Pak-Poy
Kym Piper
John O'Connor
Jane Yuile
Jamie Dreckow
Dr Tony Sherbon
David Swan
David Johnston

32. Remuneration of Board and Committee members (continued)

Health Performance Council

Prof Frances Baum
Dr Michael Beckoff
Prof Justin Beilby
Rachel Bishop
Anne Dunn
James Dellit
Geoffrey Harris
Barbara Hartwig
John Lewis
Prof Robyn McDermott
Christopher Alan Overland
Hon Carolyn Pickles
Dr Michael Rice
John Singer
Thomas Paul Steeples
Dr Diane Wickett
Ian Yates
Dr Tom Stubbs
Dr Melissa Sandercock
Dr Tahereh Ziaian

Public and Environmental Health Council

Kevin Buckett
John Coombe
Prof Nancy Cromar
Dr John Cugley
Ian Hawkins
Felicity-Ann Lewis
Kaye Arnold
Fiona Harvey
Deborah Hemmes
Dr Christopher Lease
Stephen Saffin
Helen Wright

Reproductive Technology Eligibility Review Panel

Annie Braendler-Phillips
Dr Donna Chung
Assoc Prof Sheryl de Lacey
Diana Dibden
Karen Fitzgerald
Alan Jenkins
Karla McCulloch
Dr Robert Pollnitz
Patricia Ryan
Rev Dr Andrew Dutney
Bernadette Richards

SA Council on Reproductive Technology

John Chandler
Assoc Prof Sheryl de Lacey
Dr Terence Donald
Carlo D'Ortenzio
Martyn Evans
Geraldine Hannon (D'Assumpcao)
Cate Howell
Catherine Jeffries
Marc Keirse
Christine Kirby
Dr Enzo Lombardi
Ngaire Naffine
Robert Norman
Oswald Petrucco
Gregory Pike
Dr Robert Pollnitz
Bernadette Richards
Margaret Ripper
Dr Jodie Semmler
Jacqueline Street
Dr Anusha Visvanathan
Dr Peter Woolcock

CACAC - S&Q In Health Care Consumer and Community Advisory Committee

Yvonne Buza
Carolyn Donaghey
Juli Ferguson
Carolyn Gray
Philip Jackson
Ashleigh Moore
Jeanette Mossop
Stephanie Newell
Debra Petrys
Ron Tan
Jill Wishart

South Australian Council for Safety and Quality

Dr David Ben-Tovim
Prof Ross Kalucy
Prof Villis Marshall
Michele McKinnon
Kathy Nagle
Stephanie Newell
Hans Ohff
Susan O'Neill
Dr Rod Padbury
Debra Petrys
Philip Robinson
Dr David Rosenthal
Dr Tony Sherbon
Rachel Strauss
Kaye Roberts-Thomson
Barbara Wieland

SA Safety and Quality Clinical Governance Committee

Julie Bignall
Peter Chapman
Chris Farmer
Jackie Howard
Anne Hill
Damien Lloyd
Michele McKinnon
Alan McLean
Christy Pirone
Prof Richard Reed
Philip Robinson
Dianne Rogowski
Katherine Trowbridge

32. Remuneration of Board and Committee members (continued)

Clinical Senate

Dr Peter Anastassiadis
Elaine Ashworth
Dr Phil Aylward
Marissa Barbarioli
Assoc Prof Peter Bardy
Heather Baron
Prof Justin Beilby
George Beltchev
Dr Taryn Bessen
Prof Jenny Beutel
Elizabeth Birchmore
Dr John Bonifant
Dr Phil Brock
Dr Chris Cain
Assoc Prof Simon Carney
Ray Creen
Cate Curry
A/Prof Chris Doecke
Dr Karleen Edwards
Dr Ken Fielke
Dr Janice Fletcher
Prof Karen Grimmer-Somers
Christine Holliday
Dr Matt Hooper
Assoc Prof Geoff Hughes
Dr Norman James
Dr Sue Johanson
Dr Peter Joyner
Prof Dorothy Keefe
Debbie Law
Dr Sharon Liberali
Dr Rufus McLeay
Prof Guy Ludbrook
Prof Guy Maddern
Assoc Prof Leslye Long
Dr Ruth Marshall
Michele McKinnon
Cathy Miller
Gail Mondy
David Morris
David Nielsen
Dianne Norris
Dr Rob Padbury
Dr David Panter
Prof Paddy Phillips
Dr John Pierides
Dr Michael Rice
Prof Jeffrey Robinson
Dianne Rogowski
Prof Graeme Russ
Dr Cathy Sanders
Dr Tony Sherbon
Judy Smith
David Swan
Dr Michael Taylor
Dr Jo Thomas
Catherine Turnbull
Debra Walker
Dr Lucie Walters
Dr David Watson
Acting Prof Craig Whitehead
A/Prof Brenda Wilson
John Yamba

Clinical Networks - Cancer

Assoc Prof Peter Bardy
Dr Peter Chapman
Alwin Chong
Dr Greg Crawford
Nino DiSisto
Tracey Doherty
Juli Ferguson
Meryl Horsell
Prof Dorothy Keefe
Assoc Prof Bogda Koczwara
Jude Lees
Kristin Linke
Julie Marker
Amanda Mitchell
Ashleigh Moore
Dr James Moxham
Dr Michael Penniment
Assoc Prof Tom Revesz
Prof David Roder
Megan Satanek
Ingrid Vogelzang
Prof Tracey Wade
Prof David Watson
Assoc Prof Brenda Wilson
Prof Graeme Young

Clinical Networks - Renal

Prof Graeme Russ
A/Prof Kym Bannister
A/Prof Jeff Barbara
A/Prof Chris Doecke
Fiona Donnelly
Dr Paul Henning
Dr Stephen McDonald
Gay Martin
Anthony Maede
Dr Caroline Milton
Betty Nobes
Peter Uppington
Andrew Zoerner
Tiffany Whittington
Shelley Home
Mary Sladek

Clinical Networks - Cardiology

Prof Paddy Phillips
Dr Peter Joyner
Prof John Horowitz
Prof Phil Aylward
Dr Leo Mahar
Dr Margaret Arstall
Shelley Somerfield
Deborah Rowett
Alwin Chong
Rachel Bishop
Colin Purvis
Deb Brooking
Karen Mugford

32. Remuneration of Board and Committee members (continued)

Clinical Networks - Maternal and Neonatal

Prof Jeffery Robinson
Bonnie Fisher
Julie Pratt
Judy Coffey
Noeline Hudson
Dr Steven Scroggs
Janet Vermeeren
Dr Nuzhat Zia
Dr Chad Andersen
Cheryl Boles
Dr Colin Weatherill
Carolyn Donaghey-Harris
Dr Peter Rischbieth
Dr Jodie Dodd
Helen Riskin

Clinical Networks - Child Health

Dr Peter Baghurst
Dr Phil Brock
Chris Caudle
Glenise Coulthard
Dr David Everett
Kirsty Gilmour
Trish Strachan
Dr Di Hetzel
Dr Deepa Jeyaseelan
Alex Centofanti
Dr Michael Rice
Dr Cathy Sanders
Dr Nigel Stewart
Dr Michael Taylor
Dr Gavin Wheaton
Emma Thompson
Skye Oldfield

Clinical Networks - Mental Health

Sharon Olsson
Dr Prue McEvoy
Dr Darryl Watson
Dianne Norris
Dr Michael Baignet
John Strachan
Sacha Allen
Margaret Hartstone
Dr Narain Nambiar
Ute Rozenbilds
Dr Marshall Watson
Zhila Javidi
Wayne Oldfield
Maureen Healey
Heather Nowak
Dr Ken Fielke
Dr Mike Beckoff
Helen Abbott
Dr Norman James

Clinical Networks - Orthopaedic

Chris Cain
Mathew Beard
Chris Butcher
Karen Dixon
Dr George Potter
Tony Hewitt
Dr Joe Levy
Cheryl Kimber
Mary Sutherland
Mellick Chehade
Dr Graham Mercer
Dr Nancy Cullen
Pat Graske
Dr Peter Cundy
Peter Viiret
Belinda O'Malley
David Fitzgerald
Simon Spedding

Clinical Networks - Rehabilitation

Judy Smith
Prof Maria Crotty
James Rice
Phillipa Both
Sandra Parr
Sharyn Broer
Bryan Hewett
Kevin Webb
Wendy Foster
Graham Fleming
Beccy Witkowski
Sally Sobels
Miranda Jelbart

Total income received, or due and receivable, by Board Members was $596 000.

The number of members whose remuneration received or receivable falls within the following bands:	**2009 Number**
$0	**212**
$1 - $9 999	**42**
$10 000 - $19 999	**13**
$20 000 - $29 999	**9**
$30 000 - $39 999	**-**
$40 000 - $49 999	**1**
Total number of board members	**277**

Benefits given by the Department to superannuation funds or otherwise in connection with the retirement of members were $45 000.

32. Remuneration of Board and Committee members (continued)

During the financial year, no loans were made to members. At the reporting date, no outstanding loans exist with members.

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.

33. Contingent assets and liabilities

The Department does not have any contingent assets or liabilities.

34. Cash flow reconciliations

	2009	2008
Reconciliation of Cash - At 30 June as per:	$'000	$'000
Statement of Cash Flows	**51 974**	34 153
Cash and cash equivalents disclosed in the Statement of Financial Position	**51 974**	34 153

Reconciliation of net cash used in operating activities to net cost of providing services

	2009	2008
Net cash used in operating activities	**(111 112)**	(41 412)
SA Government appropriations	**(2 009 505)**	(1 811 046)
Grants from SA Government agencies	**(170 768)**	(55 187)
	(2 291 385)	(1 907 645)
Add (Less): Non-cash items:		
Depreciation and amortisation expense of non-current assets	**(2 014)**	(2 151)
Loss on sale or disposal of non-current assets	**(20)**	(429)
Net revenue from administrative restructure	**(17)**	-
Assets received for nil consideration	**13**	-
Asset donated free of charge	**(1 940)**	-
Capitalised interest on loans	**519**	574
Changes in assets and liabilities:		
Increase (Decrease) in receivables	**1 128**	(12 972)
Increase (Decrease) in inventories	**5 903**	(354)
Decrease (Increase) in payables	**22 411**	(24 003)
Increase in employee benefits	**(3 830)**	(2 372)
(Increase) Decrease in provisions	**(9 466)**	4 758
Increase in other liabilities	**(3 604)**	(525)
Net cost of providing services	**(2 282 302)**	(1 945 119)

35. Events after balance date

In May 2009 the Health Portfolio Executive approved the move to a single management model for all in-scope procurement and supply chain staff from 1 July 2009 with all budget management and HR/payroll management consolidated within the Department. Effective 1 July 2009 all budgets, assets and liabilities associated with in scope procurement and supply chain functions will transfer from health services to the Department.

36. Schedules of administered funds

The following income, expenses, assets and liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with the Department of Treasury and Finance Model Financial Statements, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

Schedule of Administered Expenses and Income for the year ended 30 June 2009

	HC&DSMC		Minister's salary		Total	
	2009	2008	**2009**	2008	**2009**	2008
Expenses:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefits	**422**	408	**243**	244	**665**	652
Supplies and services	**367**	309	**-**	-	**367**	309
Grants, subsidies and client payments	**13 864**	14 184	**-**	-	**13 864**	14 184
Depreciation and amortisation	**3**	3	**-**	-	**3**	3
Total administered expenses	**14 656**	14 904	**243**	244	**14 899**	15 148
Income:						
Revenues from SA Government	**1 464**	1 400	**241**	241	**1 705**	1 641
Grants and contributions	**9 142**	8 241	**-**	-	**9 142**	8 241
User charges and fees	**10 610**	11 205	**-**	-	**10 610**	11 205
Interest	**1 539**	1 712	**-**	-	**1 539**	1 712
Total administered income	**22 755**	22 558	**241**	241	**22 996**	22 799
Administered income less expenses	**8 099**	7 654	**(2)**	(3)	**8 097**	7 651

36. Schedules of administered funds (continued)

Schedule of Administered Assets and Liabilities as at 30 June 2009

	HC&DSMC		Minister's salary		Total	
	2009	2008	**2009**	2008	**2009**	2008
Current assets:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash	**29 172**	22 331	**-**	-	**29 172**	22 331
Receivables	**312**	-	**20**	40	**332**	40
Total administered current assets	**29 484**	22 331	**20**	40	**29 504**	22 371
Non-current assets:						
Plant and equipment	**7**	10	**-**	-	**7**	10
Total administered non-current assets	**7**	10	**-**	-	**7**	10
Total administered assets	**29 491**	22 341	**20**	40	**29 511**	22 381
Current liabilities:						
Payables	**306**	1 280	**-**	-	**306**	1 280
Borrowings	**-**	-	**20**	40	**20**	40
Employee benefits	**211**	173	**14**	12	**225**	185
Other current provisions	**-**	13	**-**	-	**-**	13
Total administered current liabilities	**517**	1 466	**34**	52	**551**	1 518
Net administered assets	**28 974**	20 875	**(14)**	(12)	**28 960**	20 863

Schedule of Administered Changes in Equity for the year ended 30 June 2009

	HC&DSMC		Minister's salary		Total	
	2009	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Balance at 1 July	**20875**	13 221	**(12)**	(9)	**20 863**	13 212
Net income (expense) recognised directly in equity	**20 875**	13 221	**(12)**	(9)	**20 863**	13 212
Net operating result (deficit)	**8 099**	7 654	**(2)**	(3)	**8 097**	7 651
Total recognised income and expense for the period	**8 099**	7 654	**(2)**	(3)	**8 097**	7 651
Balance at 30 June	**28 974**	20 875	**(14)**	(12)	**28 960**	20 863

Schedule of Administered Cash Flows for the year ended 30 June 2009

	HC&DSMC		Minister's salary		Total	
	2009 Inflows (Outflows) $'000	2008 Inflows (Outflows) $'000	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000
Cash flows from operating activities:						
Cash inflows:						
Grants and contributions	**8 831**	8 241	**-**	-	**8 831**	8 241
Receipts from SA Government	**1 464**	1 400	**261**	220	**1 725**	1 620
Interest revenue	**1 539**	1 712	**-**	-	**1 539**	1 712
Other revenue	**10 610**	11 205	**-**	-	**10 610**	11 205
Total cash inflows	**22 444**	22 558	**261**	220	**22 705**	22 778
Cash outflows:						
Employee payments	**(396)**	(406)	**(241)**	(241)	**(637)**	(647)
Grants and subsidies	**(15 022)**	(13 442)	**-**	-	**(15 022)**	(13 442)
Goods and services	**(185)**	(311)	**-**	-	**(185)**	(311)
Total cash outflows	**(15 603)**	(14 159)	**(241)**	(241)	**(15 844)**	(14 400)
Net cash inflows (outflows) from operating activities	**6 841**	8 399	**20**	(21)	**6 861**	8 378
Cash flows from financing activities:						
Cash inflows:						
Cash overdraft	**-**	-	**-**	21	**-**	21
Total cash inflows	**-**	-	**-**	21	**-**	21
Cash outflows:						
Cash overdraft	**-**	-	**(20)**	-	**(20)**	-
Total cash outflows	**-**	-	**(20)**	-	**(20)**	-
Net cash (outflows) inflows from financing activities	**-**	-	**(20)**	21	**(20)**	21
Net increase in cash held	**6 841**	8 399	**-**	-	**6 841**	8 399
Cash at 1 July	**22 331**	13 932	**-**	-	**22 331**	13 932
Cash at 30 June	**29 172**	22 331	**-**	-	**29 172**	22 331

Administered expenses and administered cash outflows
The Department makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Department, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered income and administered cash inflows
The Department collects various revenues and grants on behalf of government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

Administered contingent assets and liabilities
The Department has no administered contingent assets and liabilities.

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health sector staffing statistics

In past years the Department has provided Audit with details of staffing levels as at 30 June in the health sector. This information was sourced from the Department's Monthly Management Summary System and was not audited.

In 2006-07, the Department made a decision to source workforce data from its Human Resources Data Warehouse to ensure consistency with the data provided to the Department of Treasury and Finance. In providing Audit with the workforce data for 2006-07, the Department also provided comparable data for the previous two years. As a result workforce data relating to prior years will differ from that published in previous Auditor-General's Reports. It is important to note that this data is unaudited.

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department and South Australian Ambulance Service, over the past three years. For 2008 onward the health sector FTE mix includes Modbury Public Hospital which was transferred to the Government from private sector management on 1 July 2007 and excludes Metropolitan Domiciliary Care which was transferred to the Department for Families and Communities on 1 July 2007.

Health Sector FTE Mix (Unaudited)

	2009	2008	2007
Staff Categories:	**Number**	Number	Number
Nurses	**11 337**	10 753	10 066
Medical staff	**2 528**	2 359	2 149
Scientific and technical	**1 188**	1 197	1 174
Administrative and clerical	**5 078**	5 066	5 050
Allied health, hotel, and other staff	**6 681**	6 496	6 661
Total staff	**26 812**	25 871	25 100
Increase	**941**	771	n/a
Percentage increase	**4**	3	n/a

Department staffing statistics

The following table details the staffing levels, as at 30 June, of the Department over the past three years.

Department of Health FTE (Unaudited)

	2009	2008	2007
	Number	Number	Number
Total staff	**938**	819	759

South Australian Ambulance Service staffing statistics

The following table details the staffing levels, as at 30 June, of the South Australian Ambulance Service over the past three years.

South Australian Ambulance Service FTE (Unaudited)

	2009	2008	2007
	Number	Number	Number
Total staff	**1 138**	1 065	983

Hospital activity statistics

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department and has not been audited.

Inpatient activity (unaudited)

	2009	2008	2007
Metropolitan hospitals:	**Number**	Number	Number
Overnight stay	**154 521**	151 745	145 845
Same day	**132 787**	129 697	154 619
Total	**287 308**	281 442	300 464
Country hospitals:			
Overnight stay	**51 791**	52 768	52 537
Same day	**34 665**	34 118	37 648
Total	**86 456**	86 886	90 185

Average length of overnight hospital stay (unaudited)

	2009	2008	2007
	Days	Days	Days
Metropolitan hospitals	**7**	7.2	7.2
Country hospitals	**6.6**	6.8	6.7

Outpatient activity (unaudited)

	2009	2008	2007
Metropolitan hospitals:	**Number**	Number	Number
Emergency Department attendances	**357 410**	364 549	355 289
Outpatient occasions of service	**1 053 897**	1 026 187	1 009 480
Country hospitals:			
Emergency Department attendances	**174 199**	181 411	170 976
Outpatient occasions of service	**135 244**	117 136	125 788

Audit mandate and coverage - health services

Sections 36 and 21 of the *Health Care Act 2008* require incorporated hospitals and incorporated health advisory councils to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the metropolitan regions and Country Health SA Hospital Inc are subject to audit by the Auditor-General. The health advisory councils are audited by auditors approved by the Auditor-General.

In general, the audit of health services would include coverage of the following areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- specific purpose funds
- financial statements

Issues arising from the reviews are referred to health service management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of health services, audits are generally in progress, at the time of finalising this Report to Parliament.

HOMESTART FINANCE

FUNCTIONAL RESPONSIBILITY

Establishment

HomeStart Finance (HomeStart) is a statutory corporation established by regulation pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

Functions

HomeStart's functions include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income
- provision, marketing and management of home finance products
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of HomeStart 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 HomeStart in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of audit

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

During 2008-09, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System
- funding including treasury risk management and accruals
- other expenditure.

The audit included consideration of the work undertaken by HomeStart's internal audit function. Internal audit activities have been reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of HomeStart Finance as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by HomeStart Finance 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 HomeStart Finance have been conducted properly and in accordance with law.

Communication of audit matters

There were no notable control weaknesses identified in relation to the specific areas that were subject to audit attention. Some matters of a minor control nature will be communicated to HomeStart after the financial statement audit which was close to completion at the time of preparation of this part of this Report.

Implementation of the revised TIs 2 and 28

During 2008-09 an internal management review of HomeStart's financial management compliance program (FMCP) was reported to the Audit Committee. That review identified HomeStart's:

- financial management objectives and responsibilities
- foundations for financial management and the FMCP, including skills, values, vision, clarity of responsibilities, policies and procedures, systems and internal controls
- FMCP review elements, which were the HomeStart board, audit committee, risk management system, internal audit, external audit and the management representation questionnaires
- FMCP responsibilities for the foundation of financial management and the FMCP, which were further identified into primary financial risk areas of capital adequacy, debt funding, loans to customers, investments, expenditure and reporting.

The review identified possible areas for future improvement. These included:

- processes for the annual review of policies and procedures
- formal annual review of ongoing compliance with some specified legislation
- documenting some additional policies and procedures
- improving some areas of documentation.

Management assessed that these areas of future improvement are not material weaknesses in HomeStart's FMCP.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
Interest income	**100**	102
Interest expense	**66**	75
Net interest income	**34**	27
Other income	**13**	16
Other expenses	**(37)**	(36)
Profit before income tax equivalent expense	**10**	7
Income tax equivalent expense	**(3)**	(2)
Profit after income tax equivalent expense	**7**	5
Derivative (loss) gain	**(16)**	3
Total comprehensive result	**(9)**	8

	2009	2008
	$'million	$'million
ASSETS		
Loans and advances	**1 377**	1 229
Other assets	**88**	71
Total assets	**1 465**	1 300
LIABILITIES		
Borrowings	**1 303**	1 134
Other liabilities	**23**	13
Total liabilities	**1 326**	1 147
EQUITY	**139**	153

Statement of Comprehensive Income

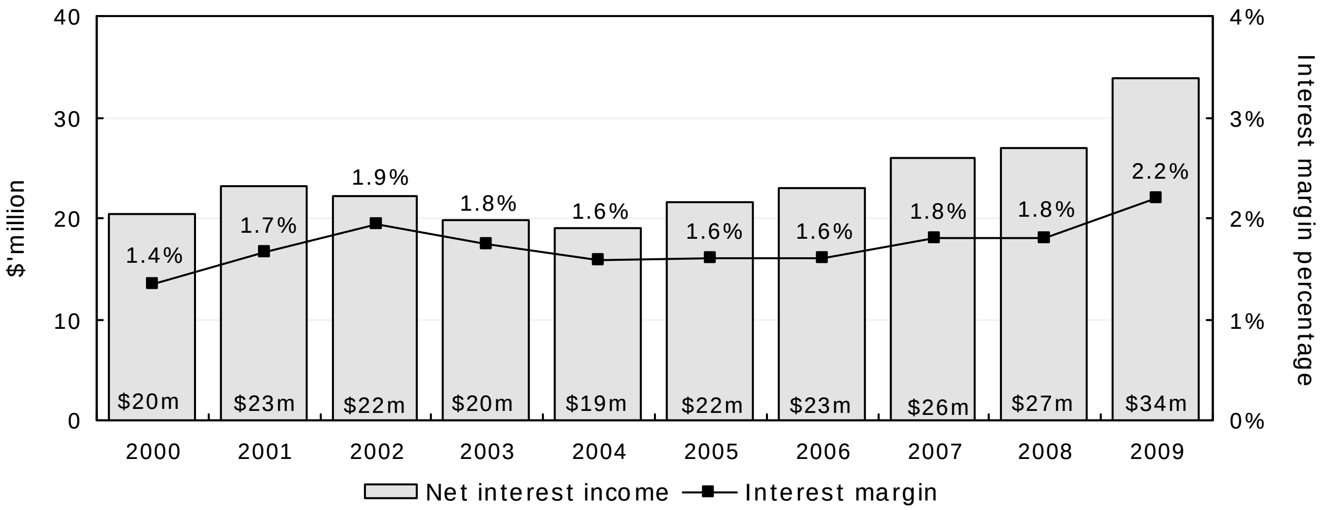
Profit for the year

Profit after income tax equivalents increased to $7.1 million from $4.8 million. Primary factors contributing to this increase are outlined hereunder.

Net interest income

The following chart compares the net interest income to the interest rate margin between loans and cost of funds.

Net Interest Income and Interest Margin



Net interest income increased by $7.2 million to $33.9 million. This is consistent with the increase in interest rate margin between loans and cost of funds, which increased from 1.8 percent to 2.2 percent, and an increase in the loan portfolio size. The interest margin has increased due to:

- HomeStart not passing on some Reserve Bank of Australia interest rate cuts to customers, in line with the general market response
- HomeStart achieving a favourable outcome on management of interest rates on borrowings.

Other income

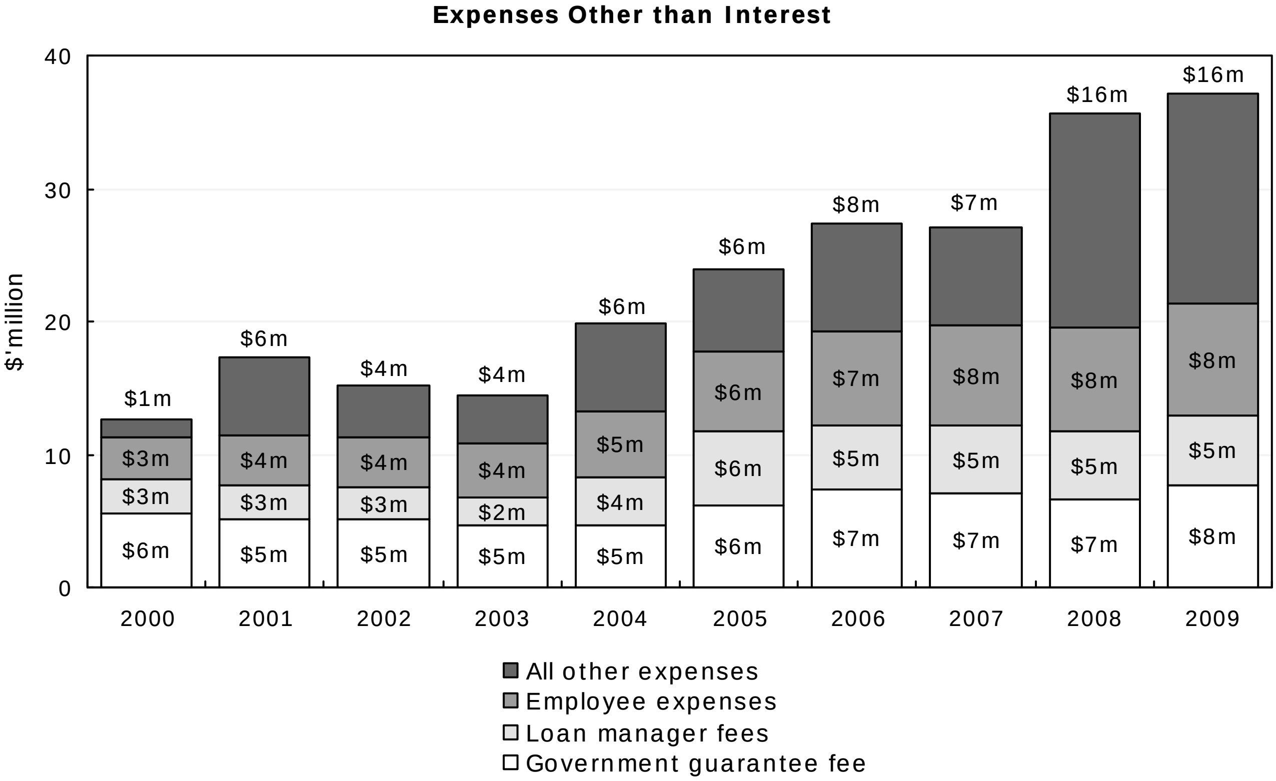
Other income decreased by $2.3 million to $13.5 million. The change resulted mainly from:

- $1.1 million decrease in equity start grants. These grants compensate HomeStart for interest subsidies provided to certain customers. The decrease reflects a drop in the volume of equity start loans written and a fall in prevailing interest rates

- $737 000 decrease in unrealised change in the fair value of the shared appreciation component of the Breakthrough Loan product
- managed fund distribution income decreasing by $551 000.

Expenses other than interest

The movement in expenses other than interest is demonstrated in the following chart.



The chart shows that expenses other than interest in 2008 and 2009 remained higher than previous years. These years were impacted by the reduction in market values of investments and were reflective of the general declining trend in the value of equities due to depressed global financial markets. Market value losses for the two years (included above in 'All other expenses') amounted to $15 million. Specifically:

- in 2009 there was $7 million loss in realised changes in the market value of investments
- in 2008 there was $8 million loss in unrealised changes in the market value of investments.

In 2007 there was a $1.9 million gain in unrealised changes in the market value of investments, which was included in other income.

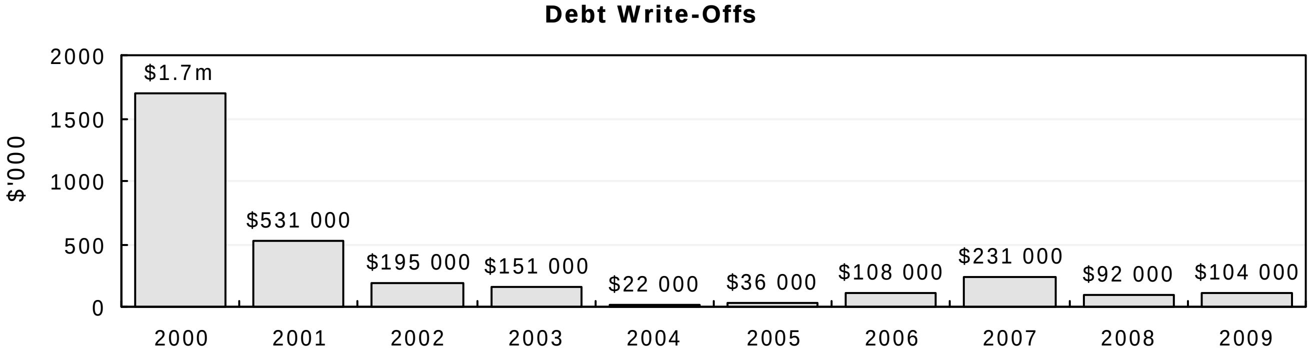
Other factors affecting expenses other than interest in 2009 were:

- $1.1 million increase in government guarantee expense, due to increased borrowings and increased guarantee rate charged on borrowings
- $604 000 increase in employee expenses
- $275 000 decrease in bad and impaired loans expense.

Bad and impaired loans expense

The bad and impaired loans expense for the year was $2.3 million ($2.6 million), a $275 000 decrease ($759 000 increase) over the previous year. The changes reflect mainly the movement in the level of impairment provisions over the year (refer to Notes 8 and 19 of the financial statements).

While HomeStart has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years due to positive economic conditions, particularly the strong property market over the majority of this period. The low level of actual debt write-offs can be seen in the following chart. Further comments on the impairment of loans is provided under the Statement of Financial Position below.

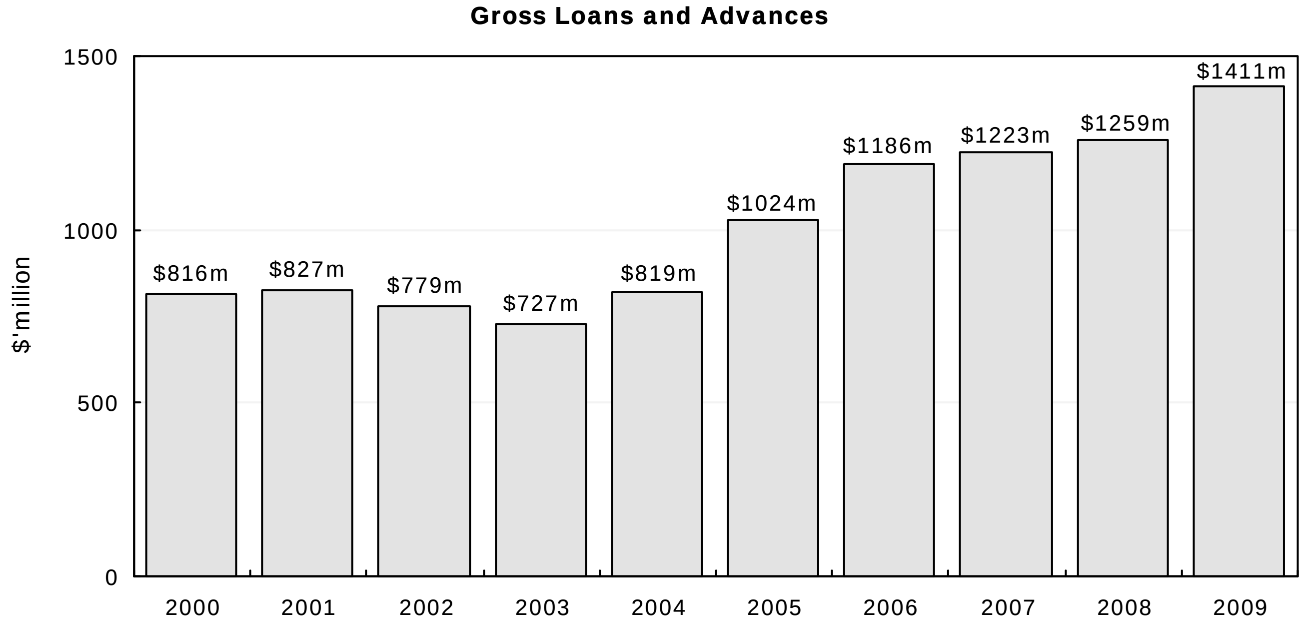


Statement of Financial Position

Loans and advances

Gross loans and advances increased by $152 million to $1.4 billion.

The extent of the increase in lending is demonstrated in the following chart.



The growth in lending over the period since 2003 reflects a range of factors including the:

- approval of the State Government for HomeStart to grow its asset base
- market acceptance of new products
- increase in the average value of loans settled.

In addition, for 2009 HomeStart experienced increased demand due to:

- additional first home owner incentive grants from the Commonwealth and State Governments
- reduction in number of non-bank lenders in the market
- tighter lending practices by other financial institutions.

Breakthrough loans

In 2006-07 HomeStart introduced the breakthrough loan facility. The facility is different from other products in that it includes two loan components:

- A standard loan component with standard interest rates and repayments. This portion of the loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property. The shared appreciation component is measured on the value of the property pledged as collateral. Gains or losses arising from changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

The value of the shared appreciation component for this product was $40 million ($16 million) at 30 June 2009. HomeStart has classified this component in the Statement of Financial Position as an investment at fair value through the profit and loss account (refer to Note 17 of the financial statements). In 2009 unrealised gains for this product of $360 000 ($1.1 million) were recognised in the Statement of Comprehensive Income.

Financial risks

Note 31 to the financial statements provides information on HomeStart's financial risk management activities including detailed information on credit, liquidity and market risk exposures.

The nature of HomeStart's business is such that it carries a high inherent risk in its loan portfolio. Some of the elements that create this risk are:

- HomeStart's customers have lower incomes and on average, they borrow a greater percentage of the value of their home

- HomeStart's lending has a significant concentration in regional South Australia

- HomeStart does not require its customers to take out mortgage insurance, due to the high cost, as such HomeStart effectively self insures losses incurred.

In recognition of these circumstances, HomeStart:

- makes a provision for impairment where there is doubt about the recoverability of loans
- retains capital in the event of significant losses arising from loan defaults.

Provisions for impairment

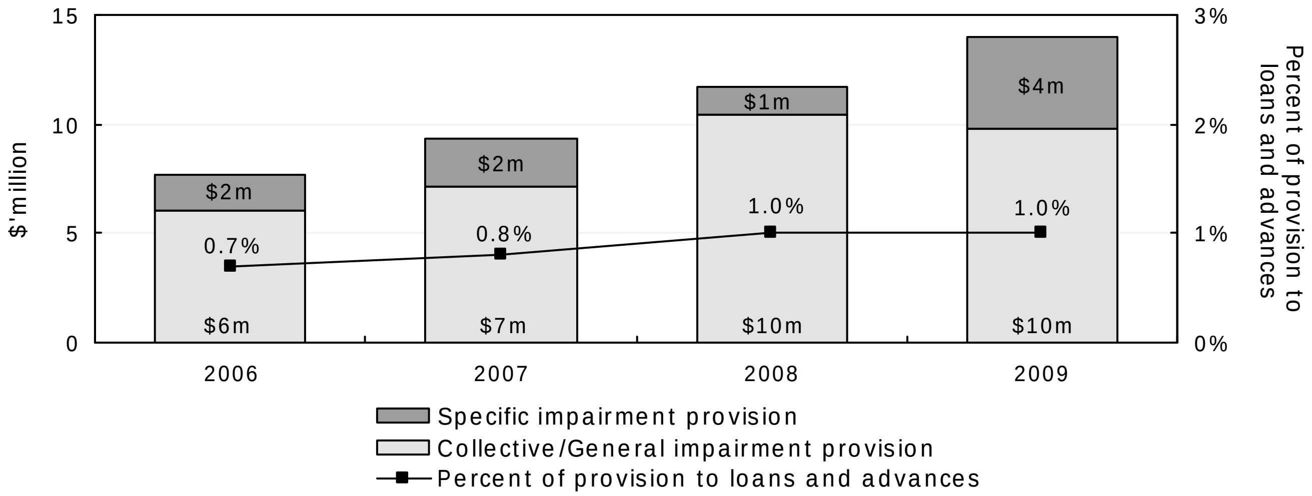
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. Note 2.11 of the financial statements details HomeStart's policies for determining the provision for impairment.

The total provision for impairment has increased by $2.2 million to $14 million. The total provision for impairment comprises two components being the specific and collective provisions.

- The specific provision (loans and advances that are individually assessed as impaired) as at 30 June 2009 was $4.2 million ($1.3 million).

- The collective provision as at 30 June 2009 was $9.8 million ($10.4 million). This provision arises where HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset. Assets are included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

The following chart shows the level of the total provisions and their composition over the past four years.



The chart shows that in 2009, while the provisions for impairment have increased, the level of provisioning remains proportional to the loans and advances.

General reserve for credit losses

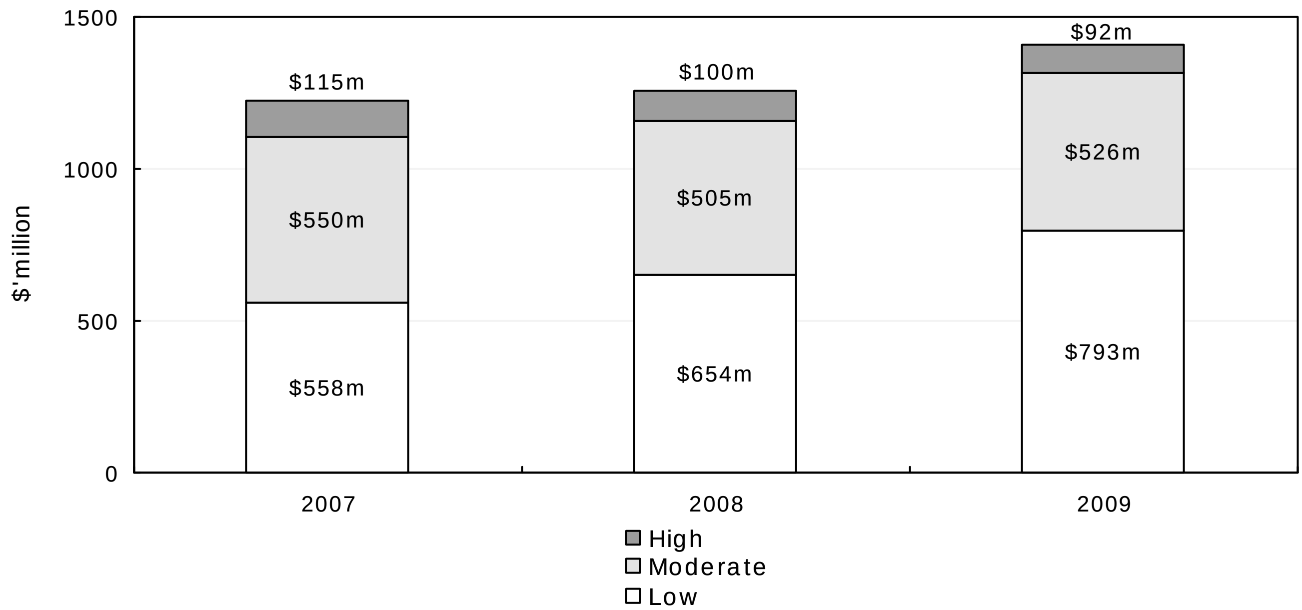
The general reserve for credit losses is used to set aside additional funds in excess of the specific and collective provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirement of retaining sufficient retained earnings for capital adequacy purposes.

The balance of the reserve at 30 June 2009 was $11.2 million ($11.3 million).

The combined provisions for impairment and general reserve for credit losses take the total amount set aside for potential losses to $25.2 million ($23 million).

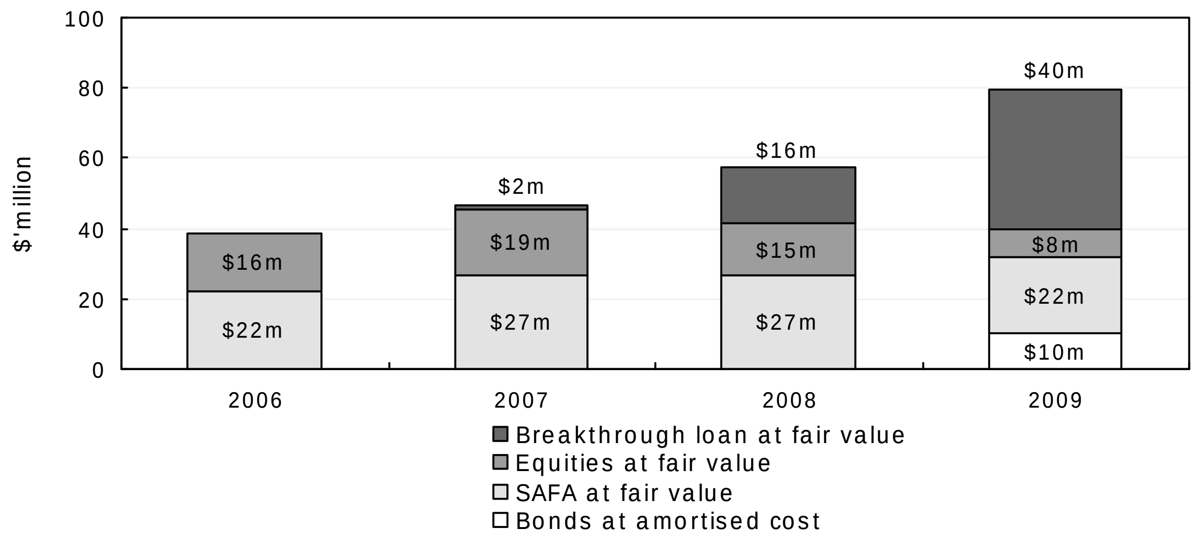
Loan quality

HomeStart has assessed the gross value of loans and advances to customers by credit risk grading. The following chart summarises that assessment and shows that the high risk category has remained similar. For further detail refer to Note 31.2.1 of the financial statements.



Investments

As at 30 June 2009, HomeStart's investments increased by $22.3 million to $79.8 million. The composition of investments is shown in the following table.



The chart shows:

- $40.3 million ($16 million) in the shared appreciation component of the breakthrough loan product, a growth of $24.3 million. This loan product has been classified as an investment and is commented on previously under 'Breakthrough loans'

- bonds at amortised cost of $10.2 million, purchased for the first time in 2009. These investments are recorded at cost in the Statement of Financial Position while HomeStart has the intention and ability to hold these assets to maturity. As at 30 June the cost of these investments approximates their fair value (refer Note 32).

HomeStart Finance has no discretion on the realisation of breakthrough loan investments. Consequently, they cannot be liquidated to meet any future potential funding requirements. The value of investments excluding breakthrough loans amounted to $39.5 million ($41.5 million). These levels indicate HomeStart have sufficiently liquid investments to meet the combined provisions for impairment and general reserve for credit losses of $25.2 million ($23 million).

Liabilities

Borrowings at 30 June 2009 were $1.3 billion ($1.1 billion) and represent 98 percent (99 percent) of HomeStart's liabilities. HomeStart is required to use the South Australian Government Financing Authority as its sole counterparty for all funding transactions. At 30 June 2009, HomeStart was restricted by a current approved borrowing limit of $1.35 billion ($1.35 billion). On 19 August 2009, the Acting Treasurer approved an increase in the borrowing limit to $1.5 billion.

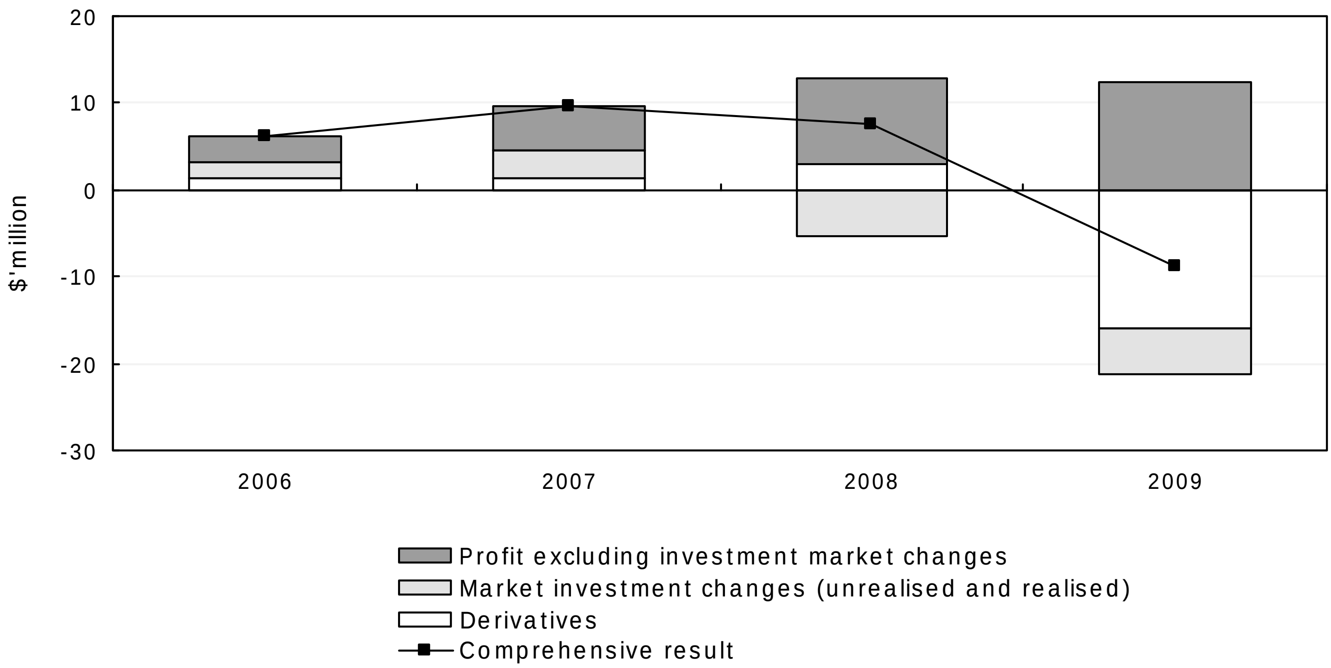
Note 31.3 of the financial statements provides information on the HomeStart's exposure to liquidity risk.

Fair value and comprehensive result

HomeStart recognises derivatives and certain investments at fair value. The changes in market value of these items can significantly impact HomeStart's Statement of Financial Position and the Statement of Comprehensive Income.

Derivatives are used to hedge changes in interest rate risks. Whilst these hedges remain effective (as defined by the accounting standards), changes in the fair value hedges do not affect profit as they are recognised in the derivatives revaluation reserve. However, the realised and unrealised changes in investments at fair value are recorded in other expenses or income in the Statement of Comprehensive Income.

The impact of all these changes is included in the total comprehensive result reported on the Statement of Comprehensive Income. HomeStart's comprehensive result deteriorated by $16.5 million to a loss of $8.9 million ($7.6 million surplus). The table below shows the main reason for the deterioration is the impact of the changes in the fair value of derivatives and investments. These changes principally reflect the global financial crisis and the resultant down turn in interest rates and equities markets.

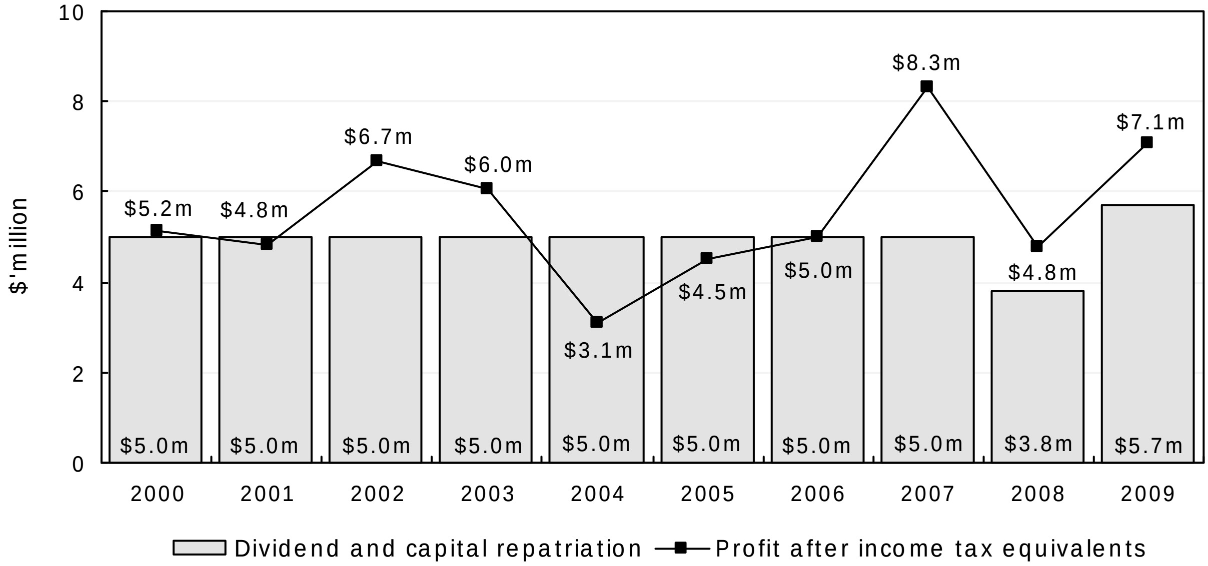


It is appropriate to note that the increase in the liability is matched by an increase in the fair value of fixed rate loans. These are however not recorded in the Statement of Comprehensive Income or Statement of Financial Position. Note 32 shows the fair value of net financial assets is $235 million ($255 million), while the carrying value of net financial assets is $144 million ($157 million).

Distributions to government

The following chart shows profit after income tax equivalents and distributions made for the past 10 years and highlights the sustained profit performance of HomeStart over the period.

Distributions to Government



In 2009 HomeStart provided for $5.7 million ($3.8 million) in dividends. In each of the years 2000 to 2007 HomeStart was required to pay $5 million to the Government which comprised dividend and capital repatriation payments. The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart. It is noted, however, that the level of retained earnings at 30 June 2009 remained relatively consistent at $138.5 million ($136.9 million).

In addition to these distributions, HomeStart pays a guarantee fee of 0.64 percent (0.60 percent) to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount expensed in 2008-09 was $7.7 million ($6.6 million).

HomeStart is also subject to an income tax equivalent regime. The income tax equivalent expense in 2008-09 was $3.1 million ($2 million).

Statement of Cash Flows

Net cash flows

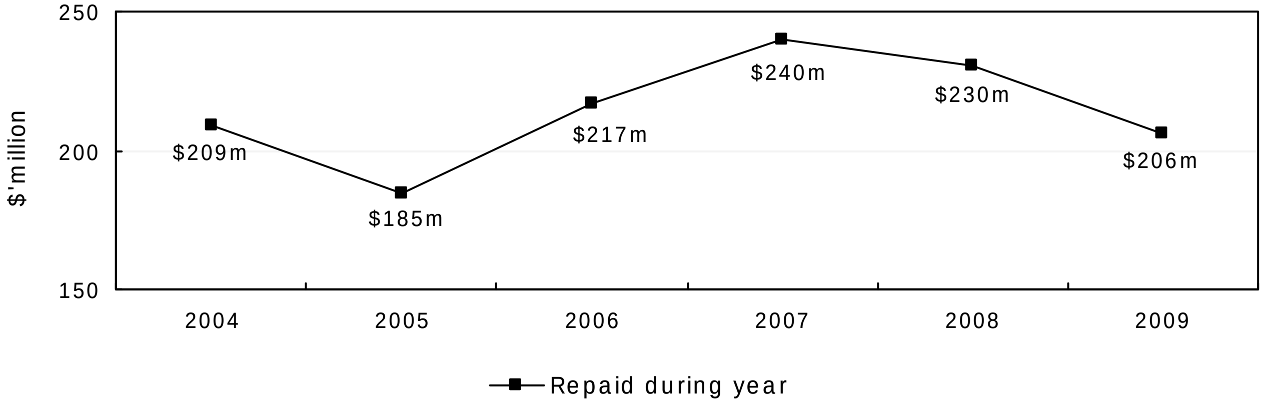
The following table summarises the net cash flows for the four years to 2009.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**11**	11	8	7
Investing	**(175)**	(47)	(37)	(161)
Financing	**164**	37	32	153
Change in cash	**-**	1	3	(1)
Cash at 30 June	**4**	4	3	-

The table shows that the 2009 net cash used in investing activities increased by $128 million ($10 million). The increase in investing activities was funded mainly from increased financing activities.

Customer loans repaid

The repayment of customer loans is shown in the chart below



The quantum of customer loan repayments has decreased in 2008 and 2009, despite the overall increase in the loans and advances balance. The reduction is due to fewer customers discharging their loans and moving to other lenders in the market. This is partly attributable to the changes in the financial sector from a reduction in number of non-bank lenders in the market and tighter lending practices by other financial institutions (as discussed under 'Loans and advances' above).

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	**2009 $'000**	2008 $'000
Interest income	5	**99 431**	102 047
Interest expense	5	**(65 555)**	(75 339)
NET INTEREST INCOME	5	**33 876**	26 708
Other income	6	**13 456**	15 750
Net gain (loss) from disposal of assets	7	**(1)**	1
Bad and impaired loans expense	8	**(2 313)**	(2 588)
Government guarantee fee	9	**(7 745)**	(6 640)
Loan manager fees		**(5 236)**	(5 140)
Employee expenses	10	**(8 417)**	(7 813)
Depreciation and amortisation expense	14	**(576)**	(526)
Other expenses	15	**(12 878)**	(12 965)
PROFIT BEFORE INCOME TAX EQUIVALENTS EXPENSE		**10 166**	6 787
Income tax equivalents expense	2.5	**(3 050)**	(2 036)
PROFIT AFTER INCOME TAX EQUIVALENTS EXPENSE		**7116**	4 751
Derivative (loss) gain recognised directly in equity		**(15 957)**	2 874
TOTAL COMPREHENSIVE RESULT		**(8 841)**	7 625

The total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	**2009**	2008
ASSETS:		**$'000**	$'000
Cash and cash equivalents	35.1	**4 120**	3 940
Financial investments designated at fair value through profit and loss	17	**69 589**	57 481
Financial investments - held-to-maturity	18	**10 201**	-
Derivative financial instruments	31.2.2	**-**	5 204
Loans and advances	19	**1 377 153**	1 229 083
Other financial assets	20	**1 261**	1 523
Property, plant and equipment	21	**1 987**	2 229
Intangible assets	22	**248**	313
Other assets	23	**380**	200
Total assets		**1 464 939**	1 299 973
LIABILITIES:			
Payables	24	**4 413**	5 276
Derivative financial instruments	31.2.2	**10 776**	-
Short-term borrowings	25	**261 004**	40 634
Long-term borrowings	25	**1 042 000**	1 093 500
Employee benefits	26	**1 130**	1 080
Income tax payable	27	**1 374**	1 655
Provision for dividend	28	**1 943**	1 561
Other liabilities	29	**3 376**	2 810
Total liabilities		**1 326 016**	1 146 516
NET ASSETS		**138 923**	153 457
EQUITY:			
Reserves	30	**466**	16 526
Retained earnings	30	**138 457**	136 931
TOTAL EQUITY		**138 923**	153 457

Total equity is attributable to the SA Government as owner

Statement of Changes in Equity
for the year ended 30 June 2009

	Retained earnings $'000	General reserve for credit losses $'000	Derivatives valuation reserve $'000	Total $'000
Balance at 30 June 2007	136 771	10 532	2 330	149 633
Profit after income tax equivalent expense for 2007-08	4 751	-	-	4 751
Derivative gain recognised directly in equity	-	-	2 874	2 874
Total comprehensive result for 2007-08	4 751	-	2 874	7 625
Transfer to (from) credit loss reserve	(790)	790	-	-
Transactions with SA Government as owner:				
Dividends paid/payable	(3 801)	-	-	(3 801)
Balance at 30 June 2008	136 931	11 322	5 204	153 457
Profit after income tax equivalent expense for 2008-09	7 116	-	-	7 116
Derivative loss recognised directly in equity	-	-	(15 957)	(15 957)
Total comprehensive result for 2008-09	7 116	-	(15 957)	(8 841)
Transfer to (from) credit loss reserve	103	(103)	-	-
Transactions with SA Government as owner:				
Dividends paid/payable	(5 693)	-	-	(5 693)
Balance at 30 June 2009	**138 457**	**11 219**	**(10 753)**	**138 923**

Total equity is attributable to the SA Government as owner

Statement of Cash Flows
for the year ended 30 June 2009

	Note	2009 Inflows (Outflows) $'000	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Interest received on:			
Cash		**85**	124
Loans and advances		**98 321**	102 178
Fees and commissions received		**1 183**	1 058
Bad debts recovered		**115**	148
EquityStart Grant received		**2 651**	3 840
Community service obligation subsidy received		**4 003**	3 970
Other		**1 421**	1 122
Total cash inflows from operating activities		**107 779**	112 440
CASH OUTFLOWS:			
Payments to employees		**(8 351)**	(7 723)
Payments to suppliers		**(5 297)**	(5 283)
Payments to loan managers		**(5 305)**	(4 981)
Borrowing costs paid		**(66 716)**	(74 429)
Government guarantee fee paid		**(7 627)**	(6 665)
Income tax equivalents paid		**(3 331)**	(2 328)
Total cash outflows from operating activities		**(96 627)**	(101 409)
Net cash provided by operating activities	35.2	**11 152**	11 031
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of office and computer equipment	7	**2**	6
Proceeds from sale of investments		**50 031**	-
Customer loans repaid		**206 335**	230 350
Total cash inflows from investing activities		**256 368**	230 356
CASH OUTFLOWS:			
Payments for property, plant and equipment		**(241)**	(288)
Payments for software		**(41)**	(223)
Payments for investments		**(52 811)**	(1 124)
Customer loans settled		**(377 806)**	(275 790)
Total cash outflows from investing activities		**(430 899)**	(277 425)
Net cash used in investing activities		**(174 531)**	(47 069)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		**879 000**	293 750
Total cash inflows from financing activities		**879 000**	293 750
CASH OUTFLOWS:			
Dividends paid		**(5 311)**	(2 240)
Repayment of borrowings		**(710 130)**	(254 500)
Total cash outflows from financing activities		**(715 441)**	(256 740)
Net cash provided by financing activities		**163 559**	37 010
NET INCREASE IN CASH AND CASH EQUIVALENTS		**180**	972
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 940**	2 968
CASH AND CASH EQUIVALENTS AT 30 JUNE	35.1	**4 120**	3 940

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of HomeStart Finance

HomeStart was established as a statutory corporation under the Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007. It reports to the Minister for Housing.

HomeStart's purpose is to make home ownership possible for more South Australians.

HomeStart's vision is to lead the nation in affordable housing finance solutions.

HomeStart Home Loan

HomeStart provides home loans to low to moderate income households and other needs groups with repayments linked to income and the CPI. The HomeStart Home Loan is the principal loan product. The outstanding value of HomeStart Home Loans at 30 June 2009 was $1302.1 million ($1182.2 million).

Subsidies

HomeStart provides subsidised Advantage Loans of up to $29 400 to lower income earners. The Advantage Loan is interest free if it is repaid within five years. The Advantage Loan interest is calculated by reference to the CPI but this interest is waived if the Advantage Loan is repaid in full prior to its fifth anniversary. As at 30 June 2009 the interest rate applying to Advantage Loans was 0 percent (3.29 percent). The outstanding value of Advantage Loans at 30 June 2009 was $39.3 million ($39.8 million).

Until 30 June 2007, HomeStart did not receive any funding with respect to this subsidy. For the year ended 30 June 2009 HomeStart received a community service obligation (CSO) subsidy payment of $2.12 million ($2.168 million) from the Department of Treasury and Finance for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to $50 000 to current public housing tenants. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2009 was $38.7 million ($34.5 million).

The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI.

HomeStart received grant funding from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart Loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

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

HomeStart's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments; financial assets at fair value through profit or loss; financial instruments classified as available-for-sale; and subsidised loans and advances.

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 a specific AAS.

The financial statements have been prepared based on a 12 month period and presented in Australian currency.

2.1.1 Changes in accounting policies

Except for the amendments to AASB 101 (September 2007 version) and AASB 2007-8, which HomeStart has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ended 30 June 2009. HomeStart has assessed the impact of the new and amended AASs and Interpretations and considers there will not be a material impact on the accounting policies or the financial report of HomeStart.

2.1.2 Estimates and assumptions

The preparation of financial statements in conformity with AASs requires HomeStart to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Statement of compliance

AASs include AIFRS. Except for the amendments to AASB 101 (September 2007 version) and AASB 2007-8, which HomeStart has early adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by HomeStart for the period ended 30 June 2009.

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 an AAS have required a change. Where permitted by a specific APS or AAS, comparative information has been reclassified and disclosed where required.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

2.4 Rounding

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

2.5 Taxation

In accordance with TIs issued under the PFAA, HomeStart is required to pay to the SA Government an income tax equivalents. The income tax equivalents liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate of 30 percent (30 percent) be applied to profit from continuing operations before income tax equivalents.

HomeStart is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by HomeStart as a purchaser is not recoverable from the ATO;
- receivables and payables are stated with the amount of GST included.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

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

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

2.6 Income

Income is recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

2.6.1 Interest income – non-subsidised loans

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered (as described in Note 2.6.3).

2.6.2 Interest income – subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates other than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being generated in the Statement of Comprehensive Income, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest method at a risk-free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA Bonds.

2.6.3 Interest income – both non-subsidised and subsidised non-accrual loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only brought to account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.6.4 Loan origination fees received or receivable

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.6.5 Government grants

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

In the 2008 financial year, the Department of Treasury and Finance commenced making a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

HomeStart also receives grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart Loan program.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

2.6.6 Investment income

For financial investments designated as fair value through profit and loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as held to maturity, interest income is recognised as it accrues.

2.6.7 Disposal of non-financial assets

Income from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as income or an expense.

2.6.8 Other income

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.7 Expenses

Expenses are recognised in HomeStart's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits from the entity will occur and can be reliably measured.

2.7.1 Interest expense

Interest payable is expensed in accordance with the accounting policy described at Note 2.14.

2.7.2 Government Guarantee fee

The Government Guarantee fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

2.7.3 Bad and impaired loans expense

Bad and impaired loans are expensed in accordance with the accounting policy described in Note 2.11.

2.7.4 Loan origination fees paid or payable

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the five year average life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed annually to ensure the amortisation methodology is appropriate.

2.7.5 Employee expenses

Employee expenses are recognised in accordance with the accounting policy described at Note 2.17.

2.7.6 Depreciation and amortisation expense

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at Note 2.15.4.

2.7.7 Operating lease expense

Operating lease payments are charged to the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

2.7.8 Tax equivalents expense

The tax equivalents expense is recognised in accordance with the accounting policy described at Note 2.5.

2.8 Assets and liabilities

Assets and liabilities are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Current and non-current classes are not presented separately.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Cash is measured at its nominal value.

2.10 Financial instruments

During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer Note 2.9)
- loans and advances (refer Note 2.11)
- investments (unit trusts, SAFA Cash Management Fund, bonds and the shared appreciation component of Breakthrough Loans (refer Note 2.12))
- derivative financial instruments (refer to Note 2.13)
- financial liabilities (refer Note 2.14).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method
- held-to-maturity financial assets – measured at amortised cost
- financial instruments designated as at fair value through profit or loss – measured at fair value
- available-for-sale financial assets – measured at fair value
- financial liabilities (not at fair value through profit or loss) - measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that HomeStart has the positive intention and ability to hold to maturity.

As at 30 June 2009 HomeStart held investment bonds issued by State Government and non-government institutions.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if so designated by HomeStart. HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flows.

Available-for-sale financial assets
Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories.

HomeStart does not have any available-for-sale financial assets.

Financial liabilities
HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment
HomeStart assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of HomeStart's investments in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (ie the effective interest rate computed at initial recognition of these financial assets).

An impairment loss in respect of held-to-maturity securities or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Reference should be made to Note 2.11 for additional information in relation to the assessment of impairment of loans and receivables.

2.11 Loans and advances

Loans measured at amortised cost
Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment
HomeStart assesses at each financial year end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Provision for impairment (continued)
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgement to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. This reserve represents the difference between the impairment provisions calculated under AIFRS and that determined under the former Australian Generally Accepted Accounting Principles, net of income tax equivalents. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts
All bad debts are written off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

2.12 Investments

Held-to-maturity investments
As at 30 June 2009 HomeStart held investment bonds with a face value of $10 million issued and/or guaranteed by the Commonwealth and State Governments.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity where HomeStart has the positive intention and ability to hold to maturity.

Investments that are intended to be held to maturity are stated at amortised cost using the effective interest rate method less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired.

Investments at fair value through profit or loss
HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in unit trusts and the SAFA Cash Management Fund as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

Shared appreciation component of the Breakthrough Loan
The Breakthrough Loan facility includes two loan components:

- A standard loan component with standard interest rates and repayments which operates under identical terms as HomeStart's current standard loan products. This portion of the Breakthrough Loan is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method and taking account of principal repayments and impairment losses.

Shared appreciation component of the Breakthrough Loan (continued)

- A shared appreciation component where repayment of the loan balance is generally deferred until sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

2.13 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities, and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and subsequent to initial recognition are stated at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 31.2.2. Movements in the derivatives valuation reserve in equity are shown in the Statement of Changes in Equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Effectiveness tests are performed on all derivative financial instruments to determine if they are still providing the protection originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

2.14 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost with any difference between the interest-bearing cost and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on the effective interest rate basis.

2.15 Non-financial assets

2.15.1 Property, plant and equipment

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition, less accumulated depreciation (see Note 2.15.4) and impairment losses. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, 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.

At the expiration of the lease of its office accommodation, HomeStart is required by the lease agreement to return the premises to its original condition (‘make good’). The costs involved in doing so have been included in the cost of HomeStart’s leasehold improvements. This amount has been calculated as an estimate of future costs and discounted to a present value.

HomeStart capitalises all non-current tangible assets with a value of $500 or greater.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.15.2 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recorded at cost less accumulated amortisation (refer Note 2.15.4).

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138, and when the amount of expenditure is greater than or equal to $500.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the finite life of the asset, with a maximum time limit for amortisation of four years.

Costs in relation to website development are charged as expenses in the period in which they are incurred, unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs involved in building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

2.15.3 Impairment and revaluation

In accordance with APF III:

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

If at any time HomeStart 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.

All 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 impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15.4 Depreciation and amortisation of non-financial assets

All non-financial 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 physical assets such as office and computer equipment.

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement.

Depreciation and amortisation of non-current assets is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Leasehold improvements	Straight-line	10
Other office and computer equipment	Straight-line	5-10

2.16 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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 HomeStart.

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.

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

All payables are measured at their nominal amount and are normally settled within 30 days from the date the invoice is first received (in accordance with TI 11).

2.17 Employee benefits

2.17.1 Long-term service benefits

Long-term employee benefits are measured at present value. HomeStart's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 6.5 years (6.5 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. This calculation is consistent with HomeStart's experience of employee retention and leave taken.

2.17.2 Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration salary rates that HomeStart expects to pay as at reporting date.

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.

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

HomeStart 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 and various externally managed superannuation schemes.

2.18 Insurance

HomeStart has arranged, through SAFA, SAICORP Division, to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.19 Accounting judgments, estimates and assumptions

The preparation of the financial report requires the use of certain accounting estimates and requires HomeStart to exercise its judgment in the process of applying HomeStart's accounting policies. No judgments have been determined to be individually significant.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgment that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

2.19.1 Impairment of loans and advances

HomeStart determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of loan impairment is disclosed in Note 2.11.

2.19.2 *Fair value of subsidised loans and advances*

When HomeStart provides subsidised loans, such as the Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value results in an initial loss being generated in the Statement of Comprehensive Income. Fair value is measured by discounting the expected cash flows using a market interest rate. This requires an estimation of the value of the future cash flows. HomeStart's policy for calculation of the fair value of subsidised loans is disclosed in Note 2.6.

3. Government / non-Government disclosures

In accordance with APF II, APS 4.1, HomeStart has included details of income, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the Notes to the accounts.

4. Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to lower income groups.

5. Net interest income

	2009	2008
Interest received/receivable from entities external to the SA Government:	$'000	$'000
Loans and advances	95 242	100 662
Subsidised loans effective interest income	3 649	3 330
Subsidised loans fair value expense	(1 844)	(4 163)
Loan origination income amortisation	2 304	2 093
Deposits with banks	80	125
Total interest received / receivable from entities external to the SA Government	**99 431**	102 047
Interest paid/payable to entities within the SA Government:		
Borrowings from SAFA	(65 555)	(75 339)
Total interest paid / payable to entities within the SA Government	**(65 555)**	(75 339)
Net interest income	**33 876**	26 708

6. Other income

	2009	2008
Other Income received/receivable from entities external to the SA Government:		
Fees and charges	2 938	2 805
Bad debts recovered	152	182
Unrealised change in fair value of loans	360	1 097
Realised change in fair value of loans	22	2
Managed funds distribution	788	1 507
Other	37	43
Total other income received / receivable from entities external to the SA Government	**4 297**	5 636
Other income received/receivable from entities within the SA Government:		
Managed funds distribution	168	-
EquityStart grant(1)	2 526	3 596
CSO subsidy (1)	4 003	3 970
Realised change in market value of investments	1 912	1 555
Other	550	993
Total other income received / receivable from entities within the SA Government	**9 159**	10 114
Total other income	**13 456**	15 750

(1) *Equity Start grant funds and CSO subsidy received*

During the financial year, HomeStart received $2.65 million ($3.84 million) in grant funds from the Department for Families and Communities, to compensate HomeStart for fair value losses incurred on subsidised EquityStart loans, in addition to reimbursing HomeStart for the administration expenses incurred by administering the EquityStart loan program.

In the 2008 financial year, the Department of Treasury and Finance commenced making a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate - refer to Note 2.6.5.

7. Net (loss) gain from disposal of assets

	2009	2008
	$'000	$'000
Proceeds from disposal of assets	2	6
Net book value of assets disposed	(3)	(5)
Total net (loss) gain from disposal of assets	**(1)**	1

8. Bad and impaired loans expense

	2009	2008
	$'000	$'000
Bad and impaired loans expensed	**72**	15
Increase in provision for impairment	**2 241**	2 573
Total bad and impaired loans expense	**2 313**	2 588

9. Government guarantee fee

Government guarantee fee paid or payable to entity within the SA Government	**7 745**	6 640
Total Government guarantee fee paid or payable to entity within the SA Government	**7 745**	6 640

HomeStart paid a guarantee fee of 0.64 percent of outstanding borrowings to the Department of Treasury and Finance in 2008-09 (0.60 percent).

10. Employee expenses, remuneration and number of employees

	2009	2008
	$'000	$'000
Salaries and wages	**6 957**	6 637
Long service leave	**126**	18
Annual leave	**47**	39
Employment on-costs - superannuation	**650**	600
Employment on-costs - other	**372**	365
Board fees	**265**	154
Total employee expenses	**8 417**	7 813

Remuneration of employees	**2009**	2008
The number of employees whose remuneration received or receivable falls within the following bands:	**Number**	Number
$100 000 - $109 999	**3**	4
$110 000 - $119 999	**9**	4
$120 000 - $129 999	**2**	1
$130 000 - $139 999	**1**	1
$140 000 - $149 999	**-**	1
$170 000 - $179 999	**1**	-
$180 000 - $189 999	**1**	-
$190 000 - $199 999	**-**	1
$210 000 - $219 999	**-**	1
$220 000 - $229 999	**1**	-
$300 000 - $309 999	**1**	-
$320 000 - $329 999	**-**	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 $2.6 million ($2 million).

HomeStart employed 105 people at the end of the reporting period (98).

11. Key management personnel disclosures

The following employees held authority and responsibility for planning, directing and controlling the activities of HomeStart for the entire financial year:

- Gary Storkey (Chief Executive Officer)
- John Comley (General Manager Corporate Services and CFO)
- Ian Wheaton (General Manager Treasury and Risk)

John Rolfe (General Manager Strategic Services) held authority and responsibility for planning, directing and controlling the activities of HomeStart from the date of his appointment on 4 August 2008 until the end of the financial year.

Key management personnel compensation

The compensation of the above key management personnel included in 'Employee expenses' (refer Note 10) is as follows:

	2009	2008
	$	$
Short-term employee benefits	**820 689**	869 450
Long-term employee benefits (long service leave)	**15 385**	15 955
Long-term employee benefits (amounts paid to superannuation plans)	**71 082**	75 956
Termination benefits	**-**	52 223
Total key management personnel compensation	**907 156**	1 013 584

12. Related parties

All transactions between HomeStart and related parties are on arm's length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties. The nature and amounts of these transactions have been disclosed throughout the financial report:

- Employees who are key management personnel
- Board members
- Department for Families and Communities
- Department of Treasury and Finance
- SAFA.

Board members

The following persons were members of the Board of HomeStart during the whole of the financial year:

— Claude Long (Chair)
— Jim Kouts (Deputy Chair)
— Estelle Bowman
— Paula Capaldo
— Sandra De Poi
— David Garrad
— Lindsay Nicholson
—

Board members' remuneration

	Note	2009	2008
The remuneration of the Board of HomeStart included in 'Employee expenses' (refer Note 10) is as follows:		**$**	$
Short-term benefits	10	**264 680**	154 352
Long-term employee benefits (amounts paid to superannuation plans)		**23 821**	13 932
Total Board members' remuneration		**288 501**	168 284

	2009	2008
The number of HomeStart Board members whose remuneration received or receivable falls within the following bands:	**Number**	Number
$0 - $9 999	**-**	1
$10 000 - $19 999	**-**	1
$20 000 - $29 999	**-**	6
$30 000 - $39 999	**4**	-
$40 000 - $49 999	**2**	-
$50 000 - $59 999	**1**	-
Total number of Board members	**7**	8

Apart from the details disclosed in this Note, no Board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving Board members' interests existing at year end.

13. Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a significant proportion of its loan management services to BankSA, The Home Loan Centre, HomeLoans Plus and Bernie Lewis Home Loans.

14. Depreciation and amortisation expense

	2009	2008
Depreciation:	**$'000**	$'000
Other office and computer equipment	**240**	230
Total depreciation	**240**	230
Amortisation:		
Leasehold improvements	**230**	223
Intangible assets	**106**	73
Total amortisation	**336**	296
Total depreciation and amortisation	**576**	526

15. Other expenses

Other expenses arising from transactions with entities within the SA Government:		
External auditor's remuneration	**166**	103
Insurance	**59**	57
Total other expenses arising from transactions with entities within the SA Government	**225**	160

15. Other expenses (continued)

	2009	2008
Other expenses arising from transactions with entities external to the SA Government:	**$'000**	$'000
Unrealised change in market value of investments	**421**	7 977
Realised change in market value of investments	**7 069**	-
Office accommodation (minimum lease payments)	**741**	723
Marketing, product development and advertising	**1 218**	1 199
Internal audit fees	**198**	244
Loan administration	**172**	168
Information technology	**370**	362
Consultant's fees	**251**	419
Human resources and staff development	**482**	434
Other	**1 731**	1 279
Total other expenses arising from transactions with entities external to the SA Government	**12 653**	12 805
Total other expenses	**12 878**	12 965

The number and dollar amount of consultancies paid/payable that fell within the following bands:	**2009 Number**	**2009 $'000**	2008 Number	2008 $'000
Below $10 000	**5**	**28**	3	7
Between $10 000 and $50 000	**2**	**50**	2	51
Above $50 000	**2**	**173**	2	361
Total paid/payable to the consultants engaged	**9**	**251**	7	419

16. Auditor's remuneration

	2009	2008
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department	**166**	103
Total audit fees - SA Government entities	**166**	103

Other services

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

17. Financial investments designated at fair value through profit and loss

17.1 Financial investments designated at fair value through profit or loss

	2009	2008
Financial investments designated at fair value through profit or loss with an entity within the SA Government:		
SAFA Cash Management Fund	**21 475**	-
SAFA Composite Bond Index investment	**-**	9 040
SAFA Cash Enhanced Fund	**-**	17 748
Total financial investments designated at fair value through profit or loss with an entity within the SA Government	**21 475**	26 788
Financial investments at fair value through profit or loss with entities external to the SA Government:		
Unit trusts	**7 811**	14 679
Breakthrough Loan (shared appreciation component)	**40 303**	16 014
Total financial investments designated at fair value through profit or loss with entities external to the SA Government	**48 114**	30 693
Total financial investments designated at fair value through profit or loss	**69 589**	57 481

17.2 Maturity profile of HomeStart's financial investments designated at a fair value through profit and loss

	2009	2008
At call	**29 286**	17 748
Not longer than three months	**-**	14 679
Longer than three months and not longer than 12 months	**-**	9 040
Longer than five years	**40 303**	16 014
Total investments designated at fair value through profit and loss	**69 589**	57 481

17.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in Note 31.4.3.

18. Financial investments - held-to-maturity

18.1 Financial investments - held-to-maturity

	2009	2008
Financial investments held-to-maturity with entities external to the SA Government:		
Bonds	**10 201**	-
Total financial investments - held-to-maturity	**10 201**	-

18.2 Maturity profile of HomeStart's financial investments - held-to-maturity	**2009 $'000**	2008 $'000
At call	**-**	-
Not longer than three months	**-**	-
Longer than three months and not longer than 12 months	**-**	-
Longer than 12 months and not longer than five years	**7 100**	-
Longer than five years	**3 101**	-
Total financial investments - held-to-maturity	**10 201**	-

18.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in Note 31.4.3.

19. Loans and advances

19.1 Loans and advances

Primary loans	**1 332 523**	1 184 330
Subsidised loans	**78 064**	74 324
Gross loans and advances	**1 410 587**	1 258 654
Fair value adjustment	**(15 603)**	(14 681)
Deferred loan fee income	**(4 942)**	(4 380)
Deferred loan fee expense	**2 444**	2 335
Specific provisions for impairment	**(4 236)**	(1 332)
Unearned income	**(1 351)**	(1 073)
Collective provision for impairment	**(9 746)**	(10 440)
Net loans and advances	**1 377 153**	1 229 083
Specific provision for impaired loans:		
Opening balance	**1 332**	2 214
Bad debts written off	**(32)**	(77)
Impairment expense	**2 936**	(805)
Closing balance	**4 236**	1 332
Collective impairment provision:		
Opening balance	**10 440**	7 063
Impairment expense	**(694)**	3 377
Closing balance	**9 746**	10 440
Total provision for impairment	**13 982**	11 772

19.2 Risk exposures

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in Note 31.2.1.

20. Other financial assets

Other financial assets - entities within the SA Government:		
Accrued financial investment income	**52**	-
EquityStart grant receivable	**816**	811
Other	**-**	337
Total other financial assets - entities within the SA Government	**868**	1 148
Other financial assets - entities external to the SA Government:		
Deferred financial investment income	**106**	-
Accrued interest on housing loans and advances	**228**	303
Accrued interest on cash at bank	**5**	10
GST recoverable	**47**	34
Other	**7**	28
Total other financial assets - entities external to the SA Government	**393**	375
Total other financial assets	**1 261**	1 523

21. Property, plant and equipment

Leasehold improvements:		
Leasehold improvements at cost	**2 055**	2 027
Accumulated amortisation	**(788)**	(557)
Total leasehold improvements	**1 267**	1 470
Other office and computer equipment:		
Other office and computer equipment at cost	**2 894**	2 895
Accumulated depreciation	**(2 174)**	(2 136)
Total other office and computer equipment	**720**	759
Total property, plant and equipment	**1 987**	2 229

21. Property, plant and equipment (continued)

	Leasehold improve-ments $'000	Other office and computer equipment $'000	2009 Total $'000	Leasehold improve-ments $'000	Other office and computer equipment $'000	2008 Total $'000
Carrying amount at 1 July	**1 470**	**759**	**2 229**	1 654	764	2 418
Additions	**28**	**205**	**233**	39	230	269
Disposals - at cost	**-**	**(206)**	**(206)**	-	(90)	(90)
Disposals - accumulated depreciation	**-**	**202**	**202**	-	85	85
Depreciation and amortisation	**(231)**	**(240)**	**(471)**	(223)	(230)	(453)
Carrying amount at 30 June	**1 267**	**720**	**1 987**	1 470	759	2 229

22. Intangible assets

	2009 $'000	2008 $'000
Software at cost	**1 061**	1 020
Accumulated amortisation	**(813)**	(707)
Total software	**248**	313
Carrying amount at 1 July	**313**	163
Additions	**41**	223
Disposals	**-**	-
Amortisation	**(106)**	(73)
Carrying amount at 30 June	**248**	313

23. Other assets

Other assets - entities within the SA Government:		
Prepayments	**12**	-
Total other assets - entities within the SA Government	**12**	-
Other assets - entities external to the SA Government:		
Prepayments	**368**	200
Total other assets - entities external to the SA Government	**368**	200
Total other assets	**380**	200

24. Payables

24.1 Payables

Payables to entities within the SA Government:		
Creditors	**6**	5
Accrued administration expenses	**160**	134
Employment on-costs	**229**	213
Accrued interest payable on borrowings	**1 995**	3 472
Accrued interest payable on derivatives	**616**	301
Accrued guarantee fee payable	**674**	556
Total payables to entities within the SA Government	**3 680**	4 681
Payables to entities external to the SA Government:		
Creditors	**256**	187
Accrued administration expenses	**130**	93
Accrued loan manager fees	**347**	307
Accrued capital acquisition	**-**	8
Total payables to entities external to the SA Government	**733**	595
Total payables	**4 413**	5 276

24.2 Settlement profile of HomeStart's payables

All payables will be settled within 12 months of the reporting date.

25. Borrowings

25.1 Interest bearing liabilities

Short-term borrowings payable to entity within the SA Government:		
Short-term borrowings	**261 004**	40 634
Total short-term borrowings payable to entity within the SA Government	**261 004**	40 634
Long-term borrowings payable to an entity within the SA Government:		
Long-term borrowings	**1 042 000**	1 093 500
Total long-term borrowings payable to an entity within the SA Government	**1 042 000**	1 093 500
Total interest bearing liabilities	**1 303 004**	1 134 134

25.2 Security

All HomeStart borrowings are unsecured.

25.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in Notes 31.3 and 31.4 respectively.

26. Employee benefits

	2009	2008
26.1 Employee benefits	**$'000**	$'000
Accrued salaries	**30**	153
Annual leave	**486**	439
Long service leave	**614**	488
Total employee benefits	**1 130**	1 080

26.2 Aggregate employee benefits

	2009	2008
Accrued salaries:		
On-costs	**75**	84
Provision for employee benefits	**30**	153
Total accrued salaries	**105**	237
Annual leave:		
On-costs	**68**	61
Provision for employee benefits	**486**	439
Total annual leave	**554**	500
Long service leave:		
On-costs	**86**	68
Provision for employee benefits	**614**	488
Total long service leave	**700**	556
Aggregate employee benefits and related on-costs	**1 359**	1 293

26.3 Settlement period of long service leave

The liability for long service leave is recognised after an employee has completed 6.5 years (6.5 years) of service in accordance with APF IV.

HomeStart policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart, as part of their termination payment;
- take pro-rata long service leave;
- 'cash out' a proportion of their long service leave, in lieu of taking the leave.

HomeStart therefore does not have an unconditional right to defer settlements of the long service leave liability for at least 12 months after the reporting date.

27. Income tax equivalents payable

	2009	2008
	$'000	$'000
Income tax equivalents payable to entity within the SA Government	**1 374**	1 655
Total tax equivalents liability payable to entity within the SA Government	**1 374**	1 655

28. Provision for dividend

Dividend payable to entity within the SA Government	**1 943**	1 561
Total dividend payable to entity within the SA Government	**1 943**	1 561

Pursuant to section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

For the year ended 30 June 2009, the HomeStart board recommended the payment of a dividend to the Treasurer of 80 percent of after tax profit (80 percent).

29. Other liabilities

	2009	2008
Other liabilities payable to or arising from transactions with entities within the SA Government:	**$'000**	$'000
Aboriginal loan security deposit	**104**	40
Unearned income (EquityStart grant)	**2 653**	2 523
Total other liabilities payable to or arising from transactions with entities within the SA Government	**2 757**	2 563

		2009	2008
29.	**Other liabilities (continued)**		
	Other liabilities payable to or arising from transactions with Entities external to the SA Government:	**$'000**	$'000
	Wyatt Benevolent Institution	**393**	-
	Make good provision	**191**	177
	Operating lease incentive	**35**	70
	Total other liabilities payable to or arising from transactions with entities external to the SA Government	**619**	247
	Total other liabilities	**3 376**	2 810

30. Equity

General reserve for credit losses

A general reserve for credit losses was created as at 1 July 2005 to set aside retained earnings being the equivalent of the loans impairment provision determined under former Australian Generally Accepted Accounting Principles in excess of the specific and collective loss provisions determined under AASB 139. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes.

Derivatives valuation reserve

The derivatives valuation reserve was created at 1 July 2005 on adoption of AASB 139 to recognise the effective gain or loss on derivatives that are designated hedging instruments.

31. Financial risk management

31.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This Note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up to date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's internal treasury and risk department which identifies, evaluates and, when feasible and appropriate, hedges financial risks. It operates in accordance with policies approved by the board and its subcommittees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Audit Committee is responsible for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

31.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

31.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board and its Audit and ALCO subcommittees.

The Board and its subcommittees are responsible for approving new lending and arrears management policies. The authority to make credit decisions in accordance with these approved policies is delegated by the board to executive management.

The Board and its subcommittees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart has at no time undertaken lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security is held as mortgage in possession. Any property thus held does not meet the recognition criteria of other AASs and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General annual property data or a current formal valuation. As at year end the fair value of collateral for past due and impaired loans was:

	2009	2008
Past due but not impaired:		
Gross carrying value	**81 561**	62 805
Fair value of collateral	**143 477**	119 939
Impaired:		
Gross carrying value, before specific impairment provisions	**21 338**	11 909
Specific provision for impairment	**4 236**	1 332
Net impaired loans and advances	**17 102**	10 577
Fair value of collateral	**23 591**	14 111

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart only lends in South Australia and is therefore exposed to the property market in this state.

Approximately 30 percent (34 percent) of HomeStart's loans by value were secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter loan to valuation ratio (LVR) limits when lending in some country locations, and excluding others completely.

Concentration of counterparty and geographic risk (continued)
At reporting date 32 percent (30 percent) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR Loans
HomeStart has several product categories where the initial loan to valuation ratio (LVR) is permitted to exceed 95 percent (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan provision charge
HomeStart does not require its customers to pay for lenders mortgage insurance. It does, however, require its customers to pay a loan provision charge at the time of advancing a loan.

(c) *Credit risk measurement*
Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written off. This amount reflects probability of default, exposure at default and loss given default.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (Note 2.11 and Note 19).

Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management, as set out below.

	2009	2008
Expected losses used for internal	**$'000**	$'000
operational management	**16 423**	13 353
Provision for impairment in the financial statements	**(13 982)**	(11 772)
Unearned income	**(1 351)**	(1 073)
Difference	**1 090**	508

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit quality and maximum exposure to credit risk*
HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of $1377.15 million ($1229.08 million).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading (BRG) system adopted by HomeStart.

The BRG system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2009	2008
Not impaired:	**$'000**	$'000
Neither renegotiated nor past due:		
Low risk	**763 636**	633 980
Moderate risk	**473 954**	467 152
High risk	**58 136**	69 182
Gross loans and advances neither renegotiated nor past due	**1 295 726**	1 170 314
Renegotiated:[1]		
Low risk	**5 821**	4 809
Moderate risk	**4 248**	5 843
High risk	**1 893**	2 974
Gross loans and advances renegotiated	**11 962**	13 626

(d) Credit quality and maximum exposure to credit risk (continued)

	2009	2008
Past due but not impaired:[2]	**$'000**	$'000
Low risk	**20 160**	14 222
Moderate risk	**39 409**	26 916
High risk	**21 992**	21 667
Gross loans and advances past due but not impaired	**81 561**	62 805
Total not impaired:		
Low risk	**789 617**	653 011
Moderate risk	**517 611**	499 911
High risk	**82 021**	93 823
Gross loans and advances not impaired	**1 389 249**	1 246 745
Impaired:[3]		
Low risk	**3 393**	518
Moderate risk	**8 633**	4 815
High risk	**9 312**	6 576
Gross impaired loans and advances	**21 338**	11 909
Specific provision for impairment	**(4 236)**	(1 332)
Impaired loans and advances after provisions	**17 102**	10 577
Total:		
Low risk	**793 010**	653 529
Moderate risk	**526 244**	504 726
High risk	**91 333**	100 399
Gross loans and advances	**1 140 587**	1 258 654
Fair value adjustment	**(15 603)**	(14 681)
Deferred loan fee income	**(4 942)**	(4 380)
Deferred loan fee expense	**2 444**	2 335
Specific provision for impairment	**(4 236)**	(1 332)
Unearned income	**(1 351)**	(1 073)
Collective provision for impairment	**(9 746)**	(10 440)
Net loans and advances	**1 377 153**	1 229 083

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

Less than 30 days	**58 310**	45 523
30 to 59 days	**15 626**	12 781
60 to 89 days	**4 246**	2 487
90 to 179 days	**2 232**	1 505
More than 179 days	**1 147**	509
Total	**81 561**	62 805

(1) Loans and advances renegotiated
HomeStart policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case by case basis and decisions are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due or impaired totalled $12 million as at 30 June 2009 ($13.6 million).

(2) Past due but not impaired
As per AASB 7, past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) Impaired loans
Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

31.2.2 Derivative financial assets/liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Department of Treasury and Finance to transact in derivatives only with SAFA.

(b) *Maximum exposure to credit risk*

As at 30 June 2009, HomeStart did not have any exposure to credit risk arising from derivative financial assets.

As at 30 June 2008, HomeStart's maximum exposure to credit risk was recognised as the carrying amount at reporting date as shown in the table below.

	Note	**2009 $'000**	2008 $'000
Derivative financial instruments		**(10 776)**	5 204
Swap income receivable		**472**	1 081
Swap expense payable		**(1 088)**	(1 382)
Net (payable) receivable	24	**(616)**	(301)
Maximum exposure to credit risk		**(11 392)**	4 903

Further information in relation to derivatives is disclosed in Notes 31.3.3 and 31.4.2.

31.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

31.3.1 *Liquidity risk management*

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by the Board's ALCO subcommittee.

HomeStart's liquidity management process is carried out and monitored by the treasury and risk management department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole-of-government policy requires that HomeStart hold a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

31.3.2 *Funding approach*

HomeStart is required by the Department of Treasury and Finance to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of $1.35 billion as at 30 June 2009 ($1.35 billion).

On 19 August 2009, the Acting Treasurer approved an increase in HomeStart's borrowing limit from $1.35 billion to $1.5 billion.

31.3.3 *Exposure to liquidity risk*

(a) *Non-derivative cash flows*

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt subject to refinancing in the next 12 month period is to be limited to 50 percent (40 percent) of total debt outstanding.

Percent of debt subject to refinancing in the next 12 month period:	**2009 Percent**	2008 Percent
At 30 June	**21.81**	3.58
Average for the period	**29.78**	6.53
Maximum for the period	**47.02**	8.85
Minimum for the period	**3.58**	2.17

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2009	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**	**Carrying value**
Liabilities:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	**3 739**	**674**	**-**	**-**	**-**	**4 413**	**4 413**
Borrowings	**214 003**	**56 362**	**32 151**	**1 122 148**	**-**	**1 424 664**	**1 303 004**
Other financial liabilities	**-**	**2 630**	**687**	**-**	**-**	**3 317**	**3 317**
Total liabilities (contractual maturity dates)	**217 742**	**59 666**	**32 838**	**1 122 148**	**-**	**1 432 394**	**1 310 734**

(a) *Non-derivative cash flows (continued)*

2008 Liabilities:	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000	Carrying value $'000
Payables	4 720	556	-	-	-	5 276	5 276
Borrowings	47 525	13 764	65 153	1 239 129	-	1 365 571	1 134 134
Other financial liabilities	-	2 389	827	-	-	3 216	3 216
Total liabilities (contractual maturity dates)	52 245	16 709	65 980	1 239 129	-	1 374 063	1 142 626

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) *Derivative cash flows*

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month $'000	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
2009	**(954)**	**(1 709)**	**(5 228)**	**(3 606)**	**591**	**(10 906)**
2008	141	540	1 954	2 807	3	5 445

Further information in relation to derivatives is disclosed in Notes 31.2.2 and 31.4.2

(c) *Off balance sheet*

The periods of payment of unrecognised contractual commitments are disclosed in Note 33.

31.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

31.4.1 Market risk management

HomeStart's market risk management processes are overseen by the board and its ALCO subcommittee.

A comprehensive Treasury Master Document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance subcommittee at its weekly meetings and by the treasury department on a daily basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

31.4.2 Interest rate risk - derivative financial instruments

(a) *Risk control and mitigation policies*

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps, forward rate agreements and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2009, HomeStart had:

- floating/fixed swaps with a notional value of $320 million ($313 million)
- a floating/floating swap with a notional value of $30 million ($30 million)
- a forward rate agreement with a notional value of $50 million ($nil).

(a) *Risk control and mitigation policies (continued)*

Each of the above had fixed rates varying between 2.70 percent and 7.85 percent (5.35 percent and 7.85 percent).

Periods to maturity of the interest rate swap contracts are disclosed at Note 31.3.3(b).

(b) *Market risk measurement and maximum exposure to interest rate risk*

The three major risk measurement processes used by HomeStart to measure and control interest rate risk are the present value per basis point (PVBP), value at risk (VaR) methodology and stress testing. These processes are applied to all of HomeStart's financial asset, liability and derivatives positions, with the exception of investments held through the risk transfer vehicle which are monitored separately (refer Note 31.4.3 below).

Present Value per Basis Point

HomeStart measures the PVBP of financial asset, liability and derivative positions. PVBP analysis identifies the extent of interest rate risk within different maturity buckets and for the portfolio overall. Limits for portfolio PVBP are set by ALCO and monitored monthly. The treasury and risk department reviews PVBP statistics daily.

Internally approved limits for the PBVP are set at $10 000 to ($10 000) and these were not exceeded at any time in the years ended 30 June 2009 and 30 June 2008.

	2009	2008
	$'000	$'000
Limit:	**+/-10**	+/-10
Average for the period	**0.8**	-
Maximum for the period	**4.5**	3
Minimum for the period	**(3.6)**	(2)

Value at risk

HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the value at risk that may be accepted by HomeStart, which are monitored on a daily basis by the treasury and risk department and monthly by the board and ALCO.

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99 percent confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure. Actual outcomes are monitored regularly to test the validity of assumptions and parameters/factors used in the VaR calculation.

Although VaR represents a good estimate of potential losses under normal market conditions, the assumptions on which the model is based give rise to some limitations, including the following:

- A 10 day period to unwind open positions assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence interval means there is a 1 percent statistical probability that actual loss could be greater than the VaR estimate. The use of this approach does not prevent losses outside set limits in the event of more significant market movements.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions held during the day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon HomeStart's position and the volatility of interest rates. The VaR of an unchanged position reduces if interest rate volatility declines and vice versa.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2009 and 30 June 2008:

	2009	2008
	$'000	$'000
Maximum loss limit	**1 100**	800
Average for the period	**153**	49
Maximum for the period	**474**	159
Minimum for the period	**2**	12

Stress testing
The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures. In addition, HomeStart uses stress tests to provide an indication of the potential size of losses that could arise in extreme conditions.

HomeStart's treasury system undertakes daily worst case interest rate tests on the entire asset and liabilities portfolio (including derivatives). Six different scenarios are used to test the impact of movements in interest rates on the market value of the entire portfolio. The average worst case outcome is reported monthly to the Board and ALCO.

The table below summarises the approved maximum loss limits, which HomeStart did not exceed at any time, for the years ended 30 June 2009 and 30 June 2008:

	2009	2008
	$'000	$'000
Maximum loss limit	**2 500**	2 500
Average for the period	**388**	383
Maximum for the period	**1 092**	990
Minimum for the period	**3**	31

(c) *Hedge accounting*
Fixed interest rate loan assets have been valued at fair value, being face value plus net transaction costs, and are hedged by interest rate swaps, which have been designated as cash flow hedges, to enable the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart satisfies the 'hedge accounting' requirements contained in AASB 139.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2009, a $15.96 million loss ($2.88 million gain) was recognised in equity during the period. The ineffective portion of $20 000 ($nil) was recognised immediately in the calculation of profit before income tax equivalents expense. No amount was removed from equity in the current and prior years and included in the Statement of Comprehensive Income.

Further information in relation to derivatives is disclosed in Notes 31.2.2 and 31.3.3.

31.4.3 *Investments price risk*
(a) *Risk control and mitigation policies*
HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified on the Statement of Financial Position at fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by the treasury department and monthly by the Board and ALCO.

(b) *Maximum exposure to investments price risk*
HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (Note 17).

(c) *Sensitivity analysis*
The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10 percent increase or decrease in market value at year end, with all other variables being held constant.

	Carrying amount	**-10%**	**+10%**
2009	**$'000**	**$'000**	**$'000**
Unit trusts	**7 811**	**(781)**	**781**
SAFA Cash Management Fund	**21 475**	**(2 147)**	**2 147**
Total increase (decrease) in profit before tax and equity		**(2 928)**	**2 928**
2008			
Listed equities and properties funds	14 679	(1 468)	1 468
SAFA Composite Bond Index investment	9 040	(904)	904
SAFA Cash Enhanced Fund	17 747	(1 775)	1 775
Total increase (decrease) in profit before tax and equity		(4 147)	4 147

31.4.4 *Breakthrough Loan property price risk*

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit and loss. The fair value of this loan is based on the value of the property pledged as collateral (Note 2.12).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (Note 17).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5 percent increase or decrease in property market value at year end, with all other variables being held constant.

	2009			2008		
	Carrying amount $'000	**-5% $'000**	**+5% $'000**	Carrying amount $'000	-5% $'000	+5% $'000
Breakthrough Loan	**40 303**	**(2 291)**	**2 635**	16 014	(967)	1 022
Total increase (decrease) in profit before tax and equity		**(2 291)**	**2 635**		(967)	1 022

31.4.5 *Currency risk*

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

32. Fair value and categorisation of financial instruments

32.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

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 of each class of financial asset and financial liability are disclosed in Note 2.

	2009		2008	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	**4 120**	**4 120**	3 940	3 940
Investments:				
Fair value through profit or loss	**69 589**	**69 589**	57 481	57 481
Held to maturity	**10 201**	**10 201**	-	-
Derivative financial instruments:				
Hedge accounting - fair value through equity	**-**	**-**	5 204	5 204
Loans and advances:				
Amortised cost	**1 377 153**	**1 464 349**	1 229 083	1 308 330
Other financial assets:				
Financial assets (at cost)	**1 261**	**1 261**	1 523	1 523
Total financial assets	**1 462 324**	**1 549 520**	1 297 231	1 376 478
Financial liabilities				
Borrowings:				
Financial liabilities (amortised cost)	**1 303 004**	**1 298 931**	1 134 134	1 146 044
Derivative financial instruments:				
Hedge accounting - fair value through equity	**10 776**	**10 776**	-	-
Payables:				
Financial liabilities (at cost)	**4 413**	**4 413**	5 276	5 276
Total financial liabilities	**1 318 193**	**1 314 120**	1 139 410	1 151 320
Net financial assets	**144 131**	**235 400**	157 821	225 158

32.2 Fair value estimation

(a) *Derivatives*

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

(b) *Loans and advances to customers*
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is market rate. Subsidised loans are discounted using a risk free rate of interest, based on four year (for Advantage Loans) and 10 year (for EquityStart loans) SAFA bonds.

(c) *Investments*
The fair value of investments in the Unit trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) *Shared appreciation component of the Breakthrough Loan*
The fair value of the shared appreciation component of the Breakthrough Loan is estimated by management based on information provided by independent property valuers, Hometrack Australia and the South Australian Valuer-General.

33. Unrecognised contractual arrangements

33.1 Capital commitments

HomeStart has no capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report as at 30 June 2009 ($nil).

33.2 Operating lease commitments

HomeStart as Lessee
HomeStart's operating lease commitments are for office accommodation. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable monthly in advance.

The total amount of rental expense for minimum lease payments in the financial year is disclosed in Note 15.

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	2009	2008
	$'000	$'000
Not later than one year	**974**	772
Later than one year but not later than five years	**592**	799
Total operating lease commitments	**1 566**	1 571

HomeStart as lessor
HomeStart is the lessor of office accommodation. The lease is non-cancellable with a term up to five years with the right of renewal. Rent is receivable monthly in advance.

The total amount of rental income received in the financial year is disclosed within other income in Note 6.

Amounts due to HomeStart under a non-cancellable operating lease at the reporting date not recognised as an asset in the financial report, are receivable as follows:

	2009	2008
	$'000	$'000
Not later than one year	**175**	-
Later than one year but not later than five years	**567**	-
Total operating lease receivables	**742**	-

33.3 Remuneration commitments

The majority of HomeStart staff members are employed under fixed term contracts that expire on varying dates within the next five years. Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date are not recognised as liabilities.

Notes 10 and 11 set out remuneration costs for the years ended 30 June 2009 and 30 June 2008. HomeStart estimates that commitments from existing employment positions within one year, and annually for not longer than five years, will be consistent with salaries and wages expenses in Note 10.

HomeStart does not offer fixed term remuneration contracts greater than five years.

33.4 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled, or settled but not fully drawn at the balance date amounted to $52.8 million ($36.3 million). These commitments are expected to be paid in the coming year.

34. Contingent liabilities

HomeStart has no material contingent liabilities as at 30 June 2009 ($nil).

35. Cash flow reconciliation

35.1 Cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

35.2 Reconciliation of profit for the year to net cash provided by operating activities

	2009	2008
	$'000	$'000
Profit for the year	**7 116**	4 751
Loss (gain) on sale of fixed assets	**1**	(1)
Depreciation and amortisation expense	**576**	526
Unrealised change in fair value of loans	**(360)**	(1 097)
Unrealised change in market value of investments	**421**	7 977
Realised change in market value of investments	**7 069**	-
Reinvestment of investment income	**(2 816)**	(3 062)
Bad debts written off against profit	**72**	15
Bad debts written off against provision	**32**	77
Unearned income on loans written off	**71**	62
Fees applied directly to loan accounts	**(4 621)**	(3 610)
Changes in assets and liabilities:		
Increase in provision for impairment	**2 210**	2 495
Increase (Decrease) in deferred loan fee income	**562**	(230)
(Decrease) Increase in deferred loan fee expense	**(109)**	170
Increase in fair value adjustment	**922**	2 079
(Decrease) Increase in payables	**(863)**	731
Increase in provision for employee benefits	**50**	69
Increase (Decrease) in other liabilities	**566**	(53)
Increase in unearned interest income	**278**	251
Decrease in income tax payable	**(281)**	(291)
Decrease in financial and other assets	**256**	172
Net cash provided by operating activities	**11 152**	11 031

36. Events after balance date

On 19 August 2009 the Acting Treasurer approved an increase in HomeStart's borrowing limit from $1.35 billion to $1.5 billion.

No other matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of HomeStart, the results of those operations, or the state of affairs of HomeStart in subsequent years.

JUDGES' PENSIONS SCHEME

FUNCTIONAL RESPONSIBILITY

Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established by the *Judges' Pensions Act 1971*.

Functions

The Treasurer is responsible for administering the Scheme. The Department of Treasury and Finance — State Superannuation Office provides services to administer the Scheme.

For further details of the Scheme's administration and funding arrangements 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 Scheme 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 over the Scheme in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of audit

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

During 2008-09, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Funds SA audit.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Judges' Pensions Scheme as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised over the Judges' Pensions Scheme 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 Judges' Pensions Scheme have been conducted properly and in accordance with law.

Communication of audit matters

The audit indicated that the internal controls over the Scheme's operations were satisfactory and did not identify any matters that warranted formal communication to the agency.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the financial report

	2009	2008
	$'million	$'million
REVENUE		
Employer contributions	**4.0**	4.1
Investment revenue	**(23.5)**	(15.4)
Total revenue	**(19.5)**	(11.3)
EXPENSES		
Benefits and other expenses	**17.1**	16.4
Total expenses	**17.1**	16.4
Transfer from consolidated account	**45.9**	12.0
Operating result	**9.3**	(15.7)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**43.1**	9.6
ASSETS		
Investments	**157.7**	138.9
Other assets	**0.3**	0.1
Total assets	**158.0**	139.0
LIABILITIES		
Liability for accrued benefits	**159.6**	150.0
Other liabilities	**0.2**	0.2
Total Liabilities	**159.8**	150.2
DEFICIT OF NET ASSETS OVER LIABILITIES	**(1.8)**	(11.2)

Operating Statement

The operating result for the year was a surplus of $9.3 million (deficit of $15.7 million). The year's result took into account:

- a transfer of $45.9 million ($12 million) from the Consolidated Account. In June 2009, the Treasurer approved the 2008-09 transfer on the expectation of the value of assets being held as at 30 June 2009 being less than the value of the Scheme's accrued liabilities due to the worldwide downturn in investment markets

- negative returns on investments of $23.5 million ($15.4 million). Investment returns are further discussed in the commentary for 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report

- a benefits expense of $16.5 million ($15.6 million).

Statement of Financial Position

As at 30 June 2009, there was an excess of liabilities over assets of $1.8 million ($11.2 million). The estimated liability for accrued benefits increased by $9.6 million to $159.6 million for which assets of $158 million were available to pay benefits. Therefore, the fund is in deficit as at 30 June 2009. The deficit arose due to negative investment returns in 2008-09. The size of the deficit was reduced by a $45.9 million transfer from the Consolidated Account.

In comparison, vested benefits as at 30 June 2009 were $120.6 million ($114.6 million). Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits as members are only entitled to a pension if they have attained age 60 with more than 10 years service or have attained the age of retirement with more than five years of service.

FURTHER COMMENTARY ON OPERATIONS

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2009	2008	2007	2006
Pensioners	**55**	55	58	51
Pensions paid ($'000)	**6 864**	6 445	6 643	5 523

Contributions by employers

The number of members and contributions received from employers for the past four years were:

	2009	2008	2007	2006
Members	**45**	44	45	45
Contributions received ($'000)	**4 131**	4 118	3 749	3 569

Operating Statement
for the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
REVENUE:			
Investment revenue		**(23 503)**	(15 370)
Other revenue		**7**	6
Contribution revenue:			
Contributions by employers		**4 041**	4 136
Total contribution revenue		**4 041**	4 136
Total revenue		**(19 455)**	(11 228)
EXPENSES:			
Direct investment expense	4	**599**	831
Administration expense	11	**52**	48
Benefits expense	6	**16 467**	15 570
Total expenses		**17 118**	16 449
TRANSFER FROM CONSOLIDATED ACCOUNT	3	**45 900**	12 000
OPERATING RESULT FOR THE PERIOD		**9 327**	(15 677)

Statement of Financial Position
as at 30 June 2009

	Note	2009 $'000	2008 $'000
INVESTMENTS:			
Inflation linked securities		**13 278**	12 358
Property A		**11 231**	14 245
Australian equities A		**45 814**	43 525
International equities A		**38 306**	43 583
Fixed interest		**3 816**	7 805
Diversified strategies growth A		**9 494**	6 603
Diversified strategies income		**20 127**	9 284
Cash		**11 272**	1 508
Internal inflation linked securities		**4 352**	-
		157 690	138 911
OTHER ASSETS:			
Cash and cash equivalents	10	**267**	25
Sundry debtors		**2**	3
Contributions receivable		**-**	90
		269	118
Total assets		**157 959**	139 029
CURRENT LIABILITIES:			
Sundry creditors		**7**	7
Benefits payable		**212**	180
Total liabilities		**219**	187
NET ASSETS AVAILABLE TO PAY BENEFITS	5	**157 740**	138 842
LIABILITY FOR ACCRUED BENEFITS	6	**(159 582)**	(150 011)
DEFICIT OF NET ASSETS OVER LIABILITIES		**(1 842)**	(11 169)

Statement of Cash Flows
for the year ended 30 June 2009

		2009	2008
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Contributions by employers		**4 131**	4 118
Bank interest received		**7**	6
GST recoup		**-**	1
Transfer from Consolidated Account	3	**45 900**	12 000
Benefit payments		**(6 864)**	(6 445)
Administration expense		**(52)**	(48)
Net cash provided by operating activities	9	**43 122**	9 632
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**6 940**	6 140
Payments to Funds SA		**(49 820)**	(15 770)
Net cash used in investing activities		**(42 880)**	(9 630)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**242**	2
CASH AND CASH EQUIVALENTS AT 1 JULY		**25**	23
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	**267**	25

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

(a) Judges' Pensions Scheme

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than 10 years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) Superannuation Funds Management Corporation of South Australia

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA (SA Government entity).

(c) Funding arrangements

Under subsection 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme, with $4 million ($4.1 million) being credited during the year ended 30 June 2009.

2. Summary of significant accounting policies

(a) Basis of accounting

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

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis where this can be reliably measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

(b) Basis of valuations of assets and liabilities

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value which are provided by Funds SA.

(i) Inflation linked securities

The Inflation Linked Securities portfolio invests in discretely managed portfolios and pooled funds, both of which are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

(ii) Internal inflation linked securities

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.

(iii) Property A

The Property A portfolio comprises two subsectors:

- *Listed property trusts*
  These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

- *Unlisted property vehicles*
  The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

(iv) Australian equities A

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(v) International equities A

The International equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vi) Fixed interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vii) Diversified strategies growth A

The Diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both domestic and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Diversified strategies income*
The Diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(ix) *Cash*
The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

(c) Taxation
The Scheme is constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Sundry debtors includes a refund from the ATO for GST paid on administration expenses.

(e) Revenue
Superannuation contributions are brought to account on an accrual basis where this can be reliably measured.

3. Transfer from Consolidated Account
An actuarial assessment of the estimated employer accrued liabilities as at 30 June 2009 has been undertaken and compared with the estimated employer assets invested as at 30 June 2009. As a result, the Treasurer approved a transfer of $45.9 million from the Consolidated Account in 2009. In the 2008 year a transfer of $12 million was made from the Consolidated Account.

4. Direct investment expenses
Direct investment expenses comprise fees paid to Funds SA and the investment managers. Funds SA advises the amount based on the Scheme's proportionate investments with the relevant investment managers.

5. Net assets available to pay benefits

	2009	2008
	$'000	$'000
Funds held at 1 July	**138 842**	145 408
Contributions	**4 041**	4 136
Investment revenue	**(23 503)**	(15 370)
Interest income	**7**	6
Transfers from consolidated account	**45 900**	12 000
	26 445	772
Benefits paid	**(6 896)**	(6 459)
Direct investment expense	**(599)**	(831)
Administration expenses	**(52)**	(48)
	(7 547)	(7 338)
Funds held at 30 June	**157 740**	138 842

6. Liability for accrued benefits
The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2007 triennial review of the South Australian Superannuation Scheme. Salary increases of 3.5 percent per annum above the Adelaide CPI have been assumed. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI of 2.5 percent.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance, is estimated at $159.6 million ($150 million) as at 30 June 2009.

	2009	2008
	$'000	$'000
Liability for accrued benefits at 1 July	**150 011**	140 900
Benefits expense(i)	**16 467**	15 570
Benefits paid/payable	**(6 896)**	(6 459)
Liabilities for accrued benefits at 30 June	**159 582**	150 011

(i) This figure represents the change in liability for accrued benefits plus benefits paid/payable for the year.

7. Vested benefits

	2009	2008
	$'000	$'000
Vested benefits	**120 600**	114 600

Vested benefits are benefits, which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The vested superannuation liability as at 30 June 2009 is estimated at $120.6 million.

8. Guaranteed benefits

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

9. Reconciliation of operating result to net cash provided by operating activities

	2009	2008
	$'000	$'000
Operating result	**9 327**	(15 677)
Benefits expense	**16 467**	15 570
Benefits paid/payable	**(6 896)**	(6 459)
Investment revenue	**23 503**	15 370
Direct investment expense	**599**	831
Decrease in sundry creditors	**-**	(8)
Decrease (Increase) in contributions receivable	**90**	(18)
Increase in benefits payable	**32**	23
Net cash provided by operating activities	**43 122**	9 632

10. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2009	2008
	$'000	$'000
Cash and cash equivalents	**267**	25

11. Administration expenses

Consultancy fee	**1**	-
Administration expenses	**44**	41
Other expenses	**7**	7
	52	48

Administration expense comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.

Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $7150 ($7260). No other services were provided by the Auditor-General's Department.

12. Financial instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

12. Financial instruments (continued)

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies growth, diversified strategies income, property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and submarkets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonably possible change in the value of the investments in each investment option for the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation percent	**Changes in investment assets $'000**
2009			
Growth	Nominal standard deviation	11.30	**17 819**
Total			**17 819**
2008			
Growth	Nominal standard deviation	11.70	16 253
Total			16 253

(iv) Sensitivity analysis (continued)

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

2009	**Less than three months $'000**	**Three months to one year $'000**	**Total contractual cash flows $'000**	**Carrying amount (asset) liabilities $'000**
Benefits payable	**212**	**-**	**212**	**212**
Sundry creditors	**7**	**-**	**7**	**7**
Vested benefits(i)	**120 600**	**-**	**120 600**	**120 600**
Total	**120 819**	**-**	**120 819**	**120 819**
2008				
Benefits payable	180	-	180	180
Sundry creditors	7	-	7	7
Vested benefits(i)	114 600	-	114 600	114 600
Total	114 787	-	114 787	114 787

(i) Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Fair value estimation

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values.

(e) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the PCA. Its governing body is a Board whose members are appointed by the Minister.

Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing its functions the Corporation is required to ensure the orderly development of land. For more information about the Corporation's functions, refer to Note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and clause 13(3) of the Schedule to the PCA requires the Auditor-General to audit the accounts and financial statements of the Corporation.

Assessment of controls

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

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

Scope of audit

The audit program covered major financial systems 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 2008-09, specific areas of audit attention included:

- expenditure
- inventory
- payroll
- property income
- cash
- treasury (Premises SA)
- financial Accounting
- legal compliance.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Land Management Corporation as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to expenditure processing and payroll, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Land Management 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 officers responsible for the governance of the Corporation. The response to the management letter was considered to be satisfactory. Major matters raised with the Corporation and the related responses are detailed below.

Expenditure processing

Audit has previously recommended the Corporation strengthen its controls over purchasing goods and services. In response to this the Corporation implemented an electronic purchasing system in May 2009.

The timing of implementing the system prevented Audit from relying on this system and the following control weaknesses in the purchasing environment existed through most of the financial year:

- All officers had the ability to raise purchase orders within the Accpac system.
- The value of purchase orders could be amended within Accpac without further approval.
- Purchase orders were raised after an invoice was received or were not raised at all.

The Corporation responded that it recognised that the implementation of the system involved extensive time and resources and it believed it had implemented compensating controls to address the use of purchase orders.

Payroll

Audit review in 2008-09 identified the following areas where controls related to payroll processing can be improved:

- Generating attendance reports from the payroll system.
- Implementing timely review of attendance reports and the bona fide register.
- Ensuring disbursement reports are reviewed within a reasonable time.
- Implementing an independent check of amounts transferred to the salary account to supporting documentation.
- Reconciling the payroll system to the general ledger.

As a result of these control weaknesses there is limited assurance that payroll transactions are valid, accurately calculated and recorded.

The Corporation responded that alternate ways to generate, review and endorse attendance reports will be investigated. The Corporation also responded that a monthly reconciliation between the Empower Payroll system and the general ledger is being implemented.

Implementation of the revised TIs 2 and 28

Audit review in 2008-09 identified that the Corporation has developed a comprehensive compliance framework which encompasses compliance with financial management and key legislation. Audit identified that the framework could be improved by defining and incorporating requirements into it.

The Corporation responded that compliance reporting templates for the Executive Management Group and Audit Committee will be developed in 2009-10.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

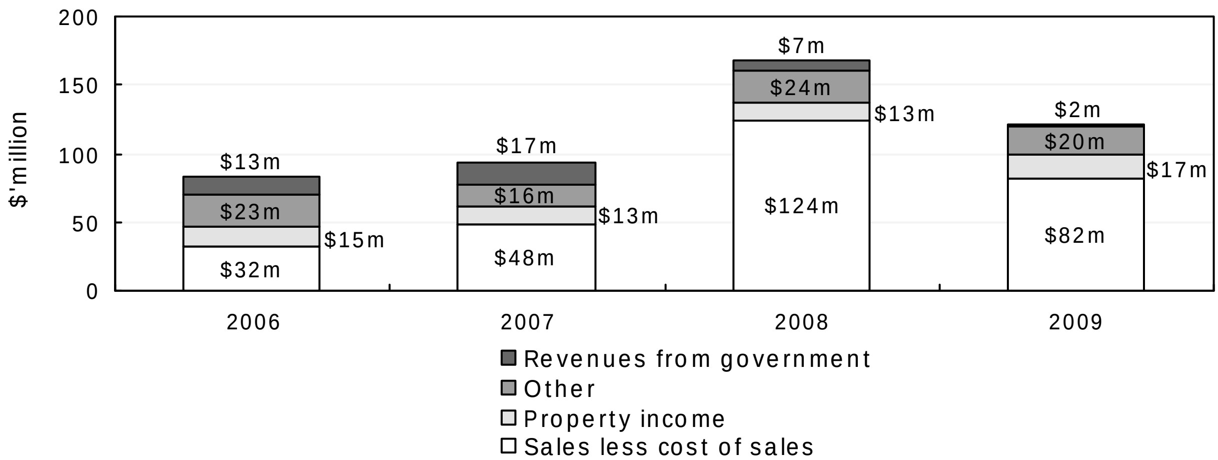
Highlights of the financial statements

	2009 $'million	2008 $'million
INCOME		
Sales less cost of sales	**82**	124
Joint Venture profit	**8**	11
Revenues from government	**2**	7
Property income	**17**	13
Other income	**12**	13
Total income	**121**	168
EXPENSES		
Employee benefit expense	**10**	9
Borrowing costs	**10**	8
Contractors and consultants	**7**	6
Land tax	**13**	10
Write-down on inventory held-for-resale	**10**	-
Other expenses	**15**	14
Total expenses	**65**	47
Profit before income tax equivalent	**56**	121
Income tax equivalent expense	**17**	36
Total comprehensive result	**39**	85
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(34)**	59
ASSETS		
Current assets	**73**	84
Non-current assets	**299**	263
Total assets	**372**	347
LIABILITIES		
Current liabilities	**92**	97
Non-current liabilities	**127**	88
Total liabilities	**219**	185
EQUITY	**153**	162

Statement of Comprehensive Income

Income

The following chart shows the changing composition of the Corporation's income over the past four years.



The chart shows that income from sales less cost of sales has decreased by $42 million (34 percent) compared to 2007-08 reflecting the large land sales that were settled in 2007-08.

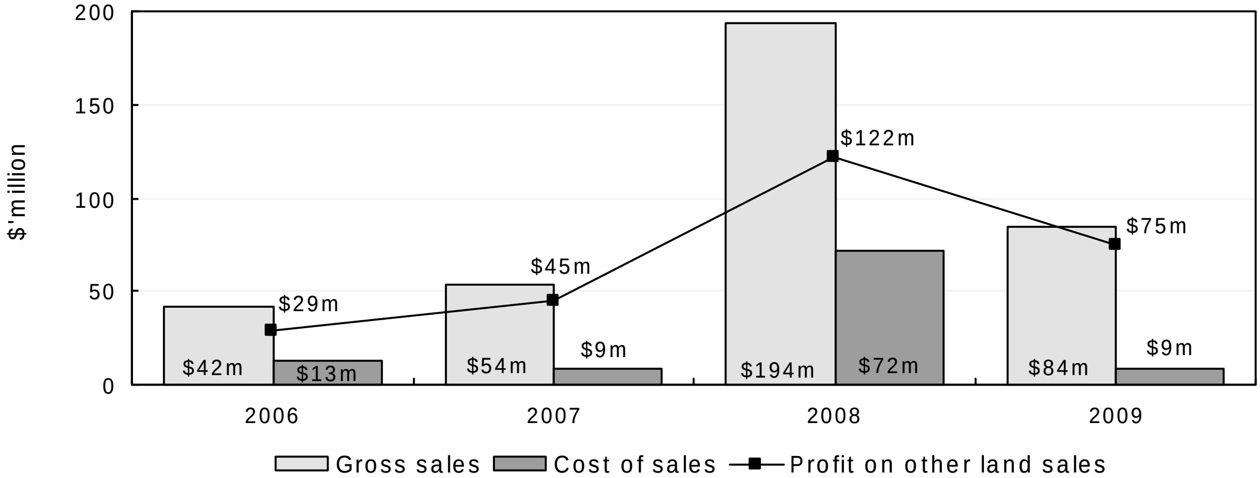
The Corporation's total land sales resulting from the following two areas of operation are analysed below.

Joint venture land sales

Gross sales of land through joint venture entities, to which the Corporation is party, increased by $4 million to $8 million in 2008-09. Cost of sales amounted to $292 000 resulting in a gross profit of $7.7 million.

Other land sales

The following chart shows the value of other land sales by the Corporation over the last four years.



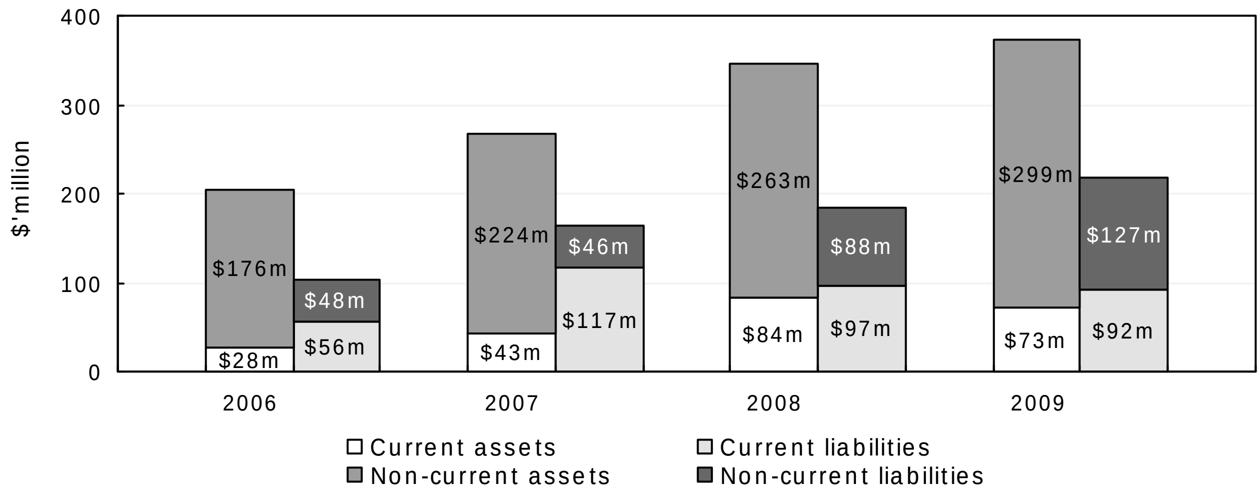
Analysis of the composition of other land sales identified that the:

- material land sales in 2008-09 occurred in Blakeview, Gillman, Seaford Meadows, Northgate and Port Adelaide Waterfront and totalled $76 million
- material land sales in 2007-08 occurred in Blakeview, Andrews Farm, Edinburgh Parks, Gillman, and Osborne and totalled $165 million
- material land sales in 2006-07 occurred in Lefevre, Port Adelaide Waterfront, Edinburgh Parks and Seaford and totalled $47 million.

The land sold by the Corporation in 2008-09 was 29 percent industrial and 71 percent broad hectare land for residential development compared with 53 percent industrial land and 47 percent broad hectare land during 2007-08 and 71 percent industrial land and 21 percent broad hectare land during 2006-07.

Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2009 is shown in the following chart.



The Corporation's net assets decreased in 2008-09 by $9 million to $153 million.

Assets

The Corporation's total assets increased by $25 million to $372 million reflecting:

- an increase in inventories of $54 million mainly relating to the purchase of the former Clipsal site at Bowden
- a decrease in cash of $31 million that relates to decreased land sales and an increase in payments for land purchases and development costs.

Liabilities

The Corporation's total liabilities increased by $34 million to $219 million. The increase was due mainly to the increased loans from the South Australian Government Financing Authority of $55 million to fund the purchase of the Clipsal site.

The 2007-08 payables balance included an $8 million payable to the Department of Trade and Economic Development related to Edinburgh Parks. This was paid in 2008-09 which contributed to the decrease in payables.

Tax liabilities have decreased as a result of decreased profit from land sales.

Asset valuations

Land held-for-resale are recognised in the Statement of Financial Position at the lower of cost or net realisable value in accordance with AASB 102.

In recognition that the market value is materially greater than the recorded book value, the Corporation have disclosed, by Note to the financial statements (refer Note 2.12), the estimated market value of $1.08 billion with respect to land held-for-sale as at 30 June 2009, based on the 30 June 2009 valuations.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held-for-sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or future property market conditions.

As a result of the 30 June valuations, the Corporation recognised a write-down of inventories of $10 million. This relates mainly to the write-down of land held at Largs North, Playford North, Edinburgh Parks and Lochiel Park.

Statement of Cash Flows

The following table summarises the net cash flows for the three years to 2009.

	2009	2008	2007
	$'million	$'million	$'million
Net cash flows			
Operating	**(34)**	59	(27)
Investing	**1**	10	4
Financing	**3**	(33)	23
Change in cash	**(30)**	36	-
Cash at 30 June	**23**	53	17

The Corporation's cash reserves decreased significantly in 2008-09. An explanation for the decrease is outlined below.

Operations

The Corporation's operating activities contributed to a net cash outflow of $34 million in 2008-09 compared to a net cash inflow of $59 million in 2007-08. The $93 million change in cash flows from operations was mainly attributable to a $55 million reduction in cash received from land sales and a $43 million increase in payments for land purchases and development costs.

Investing

Net cash flows from investing activities in 2007-08 increased due to the $6.9 million sale of the East End investment property. During 2008-09 net cash flows from investing activities have decreased due to increased payments for property, plant and equipment.

Financing

The Corporation's net cash inflows from financing activities were $3 million in 2008-09 compared to a net cash outflow of $33 million in 2007-08. In 2008-09 the Corporation received $55 million from the South Australian Government Financing Authority for the purchase of the Clipsal site. This was offset by a $16 million repayment of borrowings and a dividend payment of $47 million to the Treasurer.

FURTHER COMMENTARY ON OPERATIONS

Mawson Lakes Government Infrastructure Project

The Corporation's obligations, under the original project commitment deed, amounted to $17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is $1.313 million (in current dollars) of which $1.221 million is forecast to be spent in the 2009-10. It is anticipated the Corporation will have satisfied all its obligations under the commitment deed by the end of December 2010. The infrastructure works to be completed are drainage and landscaping in nature.

To date the Corporation has spent a total of $18.152 million meeting its component of the State Government's obligations on Mawson Lakes infrastructure.

Port Adelaide Waterfront Redevelopment

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project to redevelop waterfront land at Port Adelaide. This is a staged project to remediate, develop and market developments on a number of sites. In June 2002 the Board endorsed the selection of the Newport Quays Consortium to work with the Corporation on the project. The Corporation and Newport Quays Consortium signed the Development Agreement in October 2004.

In September 2004 the Board endorsed in-principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In July 2005, Cabinet approval was obtained to proceed with the Marina Joint Venture. The Corporation formed an unincorporated joint venture in August 2005 for the development of marina berths to be marketed and leased in conjunction with the Port Adelaide Waterfront Redevelopment residential allotments. A master plan for the development of 552 marina berths was approved by the Development Assessment Commission in February 2007.

During 2008-09 the following significant events occurred which affect Port Adelaide Waterfront Redevelopment:

- The Precinct 2B Development Application was refused by the Development Assessment Commission subcommittee in September 2008 requiring a re-work of the Precinct 2B master plan design.

- The Precinct 2A Marina Cove Development comprising 228 housing outcomes (including 64 townhouses and 164 apartments), 23 inlet marina berths and 76 Marina Joint Venture marina berths was completed in April 2009.

- The Corporation's Board agreed the Precinct 8 Commercial Principles for the finalisation of the more detailed commercial terms to vary the Project Development Agreement.

The Corporation's obligations under the Development Agreement amount to $42.59 million (in current dollars) over the life of the Agreement.

Playford North

The Playford North Urban Regeneration Project is an urban renewal project which is planned to be completed over 15-20 years housing approximately 30 000 people through the construction of more than 4500 new houses and renovation of existing dwellings.

The project encompasses an area of approximately 1000 hectares of land in northern Adelaide, including the existing communities of Smithfield Plains and Davoren Park and adjacent vacant land in Munno Para, Munno Para West, Munno Para Downs and Andrews Farm (South).

In February 2006 Cabinet approved the project which the Corporation is to manage and be the lead developer of the greenfield land. The Corporation has undertaken a coordinating role to ensure the delivery of whole-of-government objectives and is working with the City of Playford and the Department for Families and Communities.

During 2008-09 a number of activities relating to the project were undertaken including:

- the masterplan for the project area was completed
- the City of Playford – Playford North and Blakeview Development Plan Amendment was approved and gazetted on the 5 March 2009.
- civil works across the greenfield and renewals areas commenced to enable the development of land allotments for new housing, schools and other services
- the first housing allotments were created and sold at Andrews Farm, and allotments at Munno Para West and Smithfield Plains were brought to the market.

Bowden Urban Village

The Bowden Urban Village Project is an urban renewal project which is planned to be completed over 10-15 years. It is anticipated the first sites will be available for development in early 2011. The project is expected to house approximately 3000 people.

The project encompasses an area of approximately 20 hectares of which 10.25 comprises the former Clipsal site. In October 2008 Cabinet approved the purchase of the Clipsal site at a price of $52.5 million to enable the Corporation to facilitate a transit orientated development on behalf of the Government.

Cabinet also approved the Corporation borrowing an amount not exceeding $70 million from the South Australian Government Financing Authority to fund the acquisition and initial site preparation works of the Clipsal site.

The Corporation, in partnership with the City of Charles Sturt appointed a consortium to prepare a master plan for the area that is expected to be completed by November 2009. A Ministerial Development Plan Amendment Report by the Minister for Urban Development and Planning has been initiated and will follow the master plan.

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	**2009** **$'000**	2008 $'000
INCOME:			
Sales	4	**91 364**	197 916
Cost of sales		**(9 085)**	(74 080)
Gross profit		**82 279**	123 836
Share of net profits of joint venture entities	5.1	**8 221**	10 903
Revenues from government	6	**2 010**	6 953
Interest	3(a),4(b)	**6 917**	7 000
Property income	4(b)	**17 124**	13 190
Other revenue	4(b)	**2 875**	3 231
Gain resulting from changes in fair value of investment properties	2.13,14	**1 346**	2 982
Total other income		**38 493**	44 259
Total income		**120 772**	168 095
EXPENSES:			
Land tax	3(b)	**13 443**	10 365
Property expenditure	3(a)	**8 670**	7 541
Contractors and consultants	32	**6 544**	5 882
Employee benefit expense	29	**10 008**	8 841
Accommodation		**796**	576
Borrowing costs	3(a)	**9 952**	8 414
Depreciation	15	**355**	373
Write down of inventory held-for-resale	2.12	**10 471**	-
Administration and operating/other expenditures	3(a)	**4 833**	5 052
Total expenses		**65 072**	47 044
PROFIT BEFORE INCOME TAX EQUIVALENT		**55 700**	121 051
Income tax equivalent paid or payable	8	**16 710**	36 315
TOTAL COMPREHENSIVE RESULT		**38 990**	84 736

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	2009 $'000	2008 $'000
CURRENT ASSETS:			
Cash assets	26	**22 804**	53 478
Financial assets	10	**6 627**	6 182
Receivables	11	**6 716**	6 169
Inventories	12	**37 049**	17 828
Prepayments	13	**16**	31
Total current assets		**73 212**	83 688
NON-CURRENT ASSETS:			
Financial assets	10	**53 195**	59 822
Inventories	12	**124 480**	89 998
Investment property	14	**106 301**	83 713
Plant and equipment	15	**800**	1 009
Work in progress	16	**-**	10 129
Investment in joint ventures	5.1	**13 955**	17 927
Total non-current assets		**298 731**	262 598
Total assets		**371 943**	346 286
CURRENT LIABILITIES:			
Payables	17	**23 851**	30 901
Unearned income	21	**996**	997
Tax liabilities	8,19	**9 710**	17 960
Interest bearing liabilities	18	**47 405**	36 158
Provision for development expenditure	22	**8 703**	10 196
Employee benefits	20.1	**857**	664
Total current liabilities		**91 522**	96 876
NON-CURRENT LIABILITIES:			
Payables	17	**581**	593
Unearned income	21	**3 565**	3 614
Interest bearing liabilities	18	**121 916**	82 456
Employee benefits	20.1	**1 006**	974
Total non-current liabilities		**127 068**	87 637
Total liabilities		**218 590**	184 513
NET ASSETS		**153 353**	161 773
EQUITY:			
Contributed capital		**35 000**	35 000
Retained earnings		**118 353**	126 773
TOTAL EQUITY ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**153 353**	161 773
Unrecognised contractual commitments:			
Operating lease commitments	23		
Capital expenditure commitments	24		
Contingent assets and liabilities	25		

Statement of Changes in Equity
for the year ended 30 June 2009

	Contributed capital $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	-	103 315	103 315
Prior period correction	-	77	77
Restated balance at 30 June 2007	-	103 392	103 392
Total comprehensive result for 2007-08	-	84 736	84 736
Equity contribution from the SA Government	35 000	-	35 000
Dividend paid or payable to the Treasurer	-	(61 355)	(61 355)
Balance at 30 June 2008	35 000	126 773	161 773
Total comprehensive result for 2008-09	-	38 990	38 990
Dividend paid or payable to the Treasurer	-	(47 410)	(47 410)
Balance at 30 June 2009	**35 000**	**118 353**	**153 353**

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

Statement of Cash Flows
for the year ended 30 June 2009

	Note	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from sales		**91 346**	145 716
Receipts from SA Government	6	**2 010**	6 953
Interest received		**2 432**	2 097
Receipts from mortgage debtors (principal and interest)		**11 036**	9 878
Receipts from tenants (rent and recoveries)		**16 627**	13 499
Recoveries and sundry receipts		**17 181**	26 461
GST receipts from taxation authority		**691**	1 770
Cash generated from operations		**141 341**	206 374
CASH OUTFLOWS:			
GST payments to taxation authority		**(6 521)**	(12 086)
Payments for land purchase and development		**(83 231)**	(40 394)
Payments for work in progress (inventory)		**-**	(11 373)
Employee benefit payments		**(9 838)**	(8 628)
Payments to suppliers		**(31 951)**	(32 391)
Land tax paid		**(9 848)**	(6 791)
Interest paid		**(9 254)**	(8 719)
Income tax equivalent paid	8	**(24 960)**	(26 899)
Cash used in operations		**(175 603)**	(147 281)
Net cash (used in) provided by operating activities	26	**(34 262)**	59 093
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Capital repayments by joint ventures		**1 287**	1 250
Distributions of profit by joint ventures		**12 536**	15 250
Proceeds from disposal of property, plant and equipment		**-**	6 875
Cash generated from investing activities		**13 823**	23 375
CASH OUTFLOWS:			
Capital contributions to joint ventures	5.1	**(1 630)**	(3 700)
Payments for property, plant and equipment		**(10 067)**	(198)
Payments for work in progress (rental properties)		**(1 647)**	(9 091)
Cash used in investing activities		**(13 344)**	(12 989)
Net cash provided by investing activities		**479**	10 386
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions received from the SA Government		**-**	35 000
Proceeds from borrowings		**66 828**	19 727
Cash generated from financing activities		**66 828**	54 727
CASH OUTFLOWS:			
Repayment of borrowings		**(16 309)**	(26 251)
Dividends paid	9	**(47 410)**	(61 355)
Cash used in financing activities		**(63 719)**	(87 606)
Net cash provided by (used in) financing activities		**3 109**	(32 879)
NET (DECREASE) INCREASE IN CASH HELD		**(30 674)**	36 600
CASH AT 1 JULY		**53 478**	16 878
CASH AT 30 JUNE	26,27	**22 804**	53 478

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the PCA. The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of seven members appointed by the Minister (refer Note 30.1).

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the Act:

(aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme.

(a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown.

(b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:

- (i) managing the release of large areas of undeveloped (or underdeveloped) land
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other
- (iii) ensuring the orderly development of areas through the management and release of land, as appropriate.

(c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister.

(d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park.

(e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to facilitate economic development.

(f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown.

(g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes.

(h) To carry out other functions conferred on the Corporation by the Minister.

The various functions and operations of the Corporation as described above are largely performed within the Adelaide urban growth boundary.

2. Statement of significant accounting policies

2.1 Statement of compliance

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

Except for the amendments to AASB 101 AASs (September 2007 version), which the Corporation has early-adopted, AASs and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ended 30 June 2009. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements require the following Note disclosures, which have been included in this financial report:

2.2 Basis of preparation (continued)

(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 (as reported in the Statement of Comprehensive Income).

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

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

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented.

2.3 Comparative information and rounding

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised accounting standards and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required, for example, preparation of a single Statement of Comprehensive Income.

Where the Corporation has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Position and related Notes.

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

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

2.4 Taxation

In accordance with TI 22, the Corporation is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation equivalent regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period (refer Note 8).

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

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

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

Unrecognised 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.

2.5 Events after balance date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the financial statements are authorised for issue, where those events provided information about conditions that existed at 30 June.

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

2.6 Income and expenses

Income

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

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

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

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

The following are specific recognition criteria:

Revenues from sales

(i) Inventories - land held-for-resale

Sales revenue in respect of land made available to the Mawson Lakes Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Mawson Lakes Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

(ii) Work in progress - construction projects held-for-resale

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held-for-resale are recognised at cost (refer Note 2.12(ii)).

Property income

Property income arising on investment properties is accounted for on a straight-line basis over the lease term. Income received in advance is disclosed as unearned income to the extent that it relates to future accounting periods.

Interest income

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

Joint venture income

Joint venture income is recognised when the right to receive payment is established.

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.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

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

Other revenue

Other revenue is derived from the provision of goods and services to the public and other SA Government agencies. This revenue is recognised upon delivery of the service or by reference to the stage of completion and is brought to account when earned.

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.

Disposal of non-current assets and financial assets
Income from the disposal of non-current assets and financial assets 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.

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

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

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

Transactions with SA Government entities below the threshold of $100 000 have been included with the non-government transactions, classified according to their nature. The following are specific recognition criteria:

Employee 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 Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of services provided by staff employed by the Corporation during the reporting period. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

Administration and operating/other expenditures
Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred.

Cost of sales
Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of inventory sold during the reporting period. The carrying amount of any inventory held-for-sale is expensed as a cost of sale when settlement occurs.

Project expenditure
Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

Borrowing costs
Borrowing costs are expensed in the reporting period in which they are incurred, except to the extent that they are directly attributable to the construction of a qualifying asset in which case they are capitalised as part of the cost of that asset in accordance with AASB 123. Borrowing costs include:

- interest on short-term and long-term borrowings
- guarantee fees
- indemnity margin.

Payments to SA Government
Payments to the SA Government include income tax equivalent and dividend.

2.7 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 authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.8 Assets

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

Where an asset line item combines amounts expected to be realised within twelve months and more than twelve months, the Corporation has separately disclosed the amounts expected to be recovered after more than 12 months.

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

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

2.9 Cash assets

Cash assets in the Statement of Financial Position includes cash at bank, cash on hand, cash held in trust accounts 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 Statement of Cash Flows, cash consists of cash as defined above. Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from goods and services, deferred-purchase arrangements, GST input tax credits recoverable, prepayments and other accruals, measured at historical cost.

Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade and mortgage debtor 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. 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.

2.11 Financial assets

Financial assets include amounts receivable from deferred-purchase arrangements (mortgage debtor receivables), measured at historical cost.

Mortgage debtor receivables arise in the normal course of administering deferred-purchase agreements to the public and other government agencies. Mortgage debtor 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 mortgage debtor receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Corporation will not be able to collect the debt. Bad debts are written off when identified.

2.12 Inventories

Inventories include land and other property held-for-sale in the ordinary course of business. It excludes depreciating assets and investment properties.

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.

The following are specific recognition criteria:

(i) Land held-for-resale

Land held-for-resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected net cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes.

(i) *Land held-for-resale (continued)*

During the current reporting period the Corporation obtained an independent valuation of its entire inventory of land (with the exception of land quarantined for the Mawson Lakes and Northfield joint ventures and Port Adelaide Waterfront Redevelopment Precinct 3) which resulted in certain land holdings being written down to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer Note 12). The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market. The valuation as at 30 June 2009 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time a land parcel is sold. The valuation was provided by a panel of independent qualified valuers.

The Corporation has recognised land inventory within the Statement of Financial Position in accordance with AASB 102, however, the fair value of inventory assessed by suitably qualified valuers as at 30 June 2009 was $1.08 billion.

(ii) *Construction projects held-for-resale*

Construction projects held-for-resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

2.13 Investment property

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the Statement of Comprehensive Income in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of property income, on a straight-line basis over the lease term.

2.14 Interests in joint venture entities

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as ‘Investment in joint ventures’. The corporation’s share of net profit from joint venture entities is included as revenue in the Statement of Comprehensive Income as ‘Share of net profits of joint venture entities’. Details of the Corporation's interests in joint venture entities are shown in Note 5.

2.15 Work in progress

(i) *Construction projects in progress*

Expenditure associated with the construction of projects held-for-resale is capitalised as work in progress as incurred, in accordance with Note 2.6 (refer Note 16). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

(ii) *Deposits received*

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Industrial Premises Development Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

2.16 Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. If there is an indication of impairment, the asset's carrying value is compared to its recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off by a charge to the Statement of Comprehensive Income except to the extent that the write-down can be taken to an asset revaluation reserve amount applicable to that class of asset. Refer to Note disclosures on inventories, financial assets and investment properties for further information in relation to these specific assets.

2.17 Acquisition, recognition and depreciation of non-current assets

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

All non-current tangible assets with a value equal to or in excess of $1000 are capitalised.

All non-current assets, having limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to tangible assets such as property, plant and equipment.

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

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

Land and investment properties are not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful life of various classes of assets as follows:

	Years
Plant and equipment	5-10
Furniture and fittings	10
Computer equipment	3

2.18 Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the Corporation has separately disclosed the amounts expected to be settled after more than 12 months.

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

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

2.19 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 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 SA 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.

2.20 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 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 Corporation's experience of employee retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the Corporation does not have an 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, workers compensation, superannuation) are recognised separately under payables.

2.21 *Borrowings/financial liabilities*
The Corporation measures financial liabilities including borrowings/debt at historical cost.

2.22 *Guarantees and indemnities*
The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Industrial and Commercial Premises Scheme. The construction of these buildings is financed through the use of South Australian Government Financing Authority (SAFA) loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

2.23 *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.

Land Management Corporation as lessor
The Corporation has not entered into any finance leases as lessor.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Land Management Corporation as lessee
The Corporation has not entered into any finance leases as lessee.

Operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Where applicable, the aggregate benefit of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term on a straight-line basis.

2.24 *Unrecognised contractual commitments and contingent assets and liabilities*
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

2.25 *Insurance*
The Corporation has arranged to insure all major risk of the authority through the South Australian Government Financing Authority, SAICORP Division. The excess payable under this arrangement varies depending on each class of insurance held.

2.26 *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.

2.26 Financial risk management (continued)

The Corporation has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at Treasury and SAFA and mortgage debtor receivables) and liabilities (borrowings from the SA Government).

The Corporation's exposure to foreign exchange risk and cash flow interest risk is minimal. The Corporation is exposed to price risk for changes in interest rates that relate to long-term debt obligations and investments classified either as available-for-sale or fair value.

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.

In relation to liquidity/funding risk, the continued existence of the Corporation in its present form, and with its present segments/services, is dependent on SA Government policy and on prevailing conditions in the property market, and on continuing appropriations from Parliament to maintain the Corporation's community service obligations.

Refer Note 28.

2.27 Material transactions

Land purchase - former Clipsal site at Bowden

During 2008-09 the Corporation purchased the former Clipsal factory site at Bowden for $52.5 million, comprising 10.2 hectare of land in close proximity to the central business district of Adelaide. The site will be master-planned as a significant transport-oriented development. Development will occur over a 10 to 15 year timeframe. The asset has been classified as non-current inventory in the Corporation's financial statements and is recognised at cost.

Completion of laboratory facility for Bio Innovation SA

During 2007-08 the Corporation entered an agreement to build a new bioscience business incubator on land situated within the Thebarton Bioscience Precinct. The incubator was designed to be a flexible, multi-tenanted building providing combinations of accommodation consisting of secure modules of laboratory/office/storage space to individual early-stage biotechnology companies. The land on which the incubator is located is leased to the Corporation by the Minister for Science and Information Economy and in turn the Corporation leases the building back to Bio Innovation SA on behalf of the Minister. During 2008-09 the facility was completed and Bio Innovation SA commenced occupation. The cost of constructing the facility over the past two years was capitalised to work in progress and on completion was transferred to investment property at a total cost of $11.4 million.

Land sales - provision for future development obligations

An amount has been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale. Provisions are recognised when the Corporation has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. During 2007-08 the Corporation sold 52.56 hectares of englobo land north of Petherton Road by way of open tender which set out certain obligations on both the Corporation and the successful tenderer. As a result the Corporation has recognised a provision for development expenditure of $5.261 million ($6.022 million). The Corporation also recognised a provision of $2.449 million ($3.332 million) to complete allotments sold at Lochiel Park.

3. Profit

	2009	2008
(a) Profit before income tax equivalent has been determined after:	**$'000**	$'000
(i) Crediting as income		
Interest received or receivable on:		
Cash balances	**2 372**	2 146
Mortgage debtors	**4 545**	4 854
Net loss on disposal of plant and equipment	**(40)**	308
(ii) Charging as expenses		
Property expenditure consisting of:		
Building and general repairs and maintenance	**1 500**	1 326
Building services	**353**	317
Cleaning	**263**	269
Commissions and agent's fees	**544**	556
Emergency services levy	**125**	169
Energy	**542**	565
Legal fees	**508**	744
Local government rate equivalent	**458**	492
Management and administration	**419**	364
Marketing and signage expenses	**173**	213
Stamp duty	**-**	426
Statutory charges	**1 299**	1 300
Survey fees	**127**	99
Valuation fees	**258**	195
Other expenditure	**2 101**	506

	2009	2008
(ii) Charging as expenses (continued)	**$'000**	$'000
Borrowing costs consisting of:		
Borrowing costs	**9 497**	8 155
Guarantee fees	**455**	259
Indemnity margin	**-**	-
Administration and operating expenditure consisting of:		
Advertising, displays, brochures, promotion and printing	**863**	523
Audit fees, internal and external	**311**	404
Computing	**397**	285
Conferences, seminars and training	**121**	176
Graphic design	**83**	275
Insurance	**209**	194
Legal fees	**652**	575
Public relations, marketing, events and sponsorship	**663**	809
Repairs and maintenance	**82**	565
Temporary staff costs	**143**	227
Other expenditure	**1 309**	1 019

(b) Profit before income tax equivalent has been determined after charging as expenses the following supplies and services provided by entities within the SA Government:

Land tax	**13 443**	10 365
Property expenditure consisting of:		
Legal fees	**41**	267
Local government rate equivalent	**435**	305
Statutory charges	**436**	356
Other expenditure	**577**	21
Contractors and consultants	**278**	102
Accommodation	**619**	438
Borrowing costs	**9 952**	8 414
Administration and operating expenditure consisting of:		
Audit fees, internal and external	**99**	67
Computing	**21**	34
Insurance	**187**	178
Legal fees	**417**	303
Other expenditure	**266**	214
Total supplies and services provided by entities within the SA Government	**26 771**	21 064

4. Revenue

(a) Sales revenue

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

Sales revenue for the reporting period is summarised as follows:		2009	2008
Land sales to:	Note	**$'000**	$'000
Joint ventures		**8 056**	3 816
Entities within SA Government		**19 950**	32 311
Other		**63 358**	161 789
Total sales revenue		**91 364**	197 916

(b) Other revenue

Other revenue comprises:

Revenue received/receivable from entities within the SA Government:			
Interest received		**677**	2 002
Rent and other property income received		**1 009**	4
Revenues from government	6	**2 010**	6 953
Recoveries and sundry income		**915**	1 292
Total other revenue from SA Government entities		**4 611**	10 251
Revenue received/receivable from entities external to the SA Government:			
Interest received		**6 240**	4 998
Rent and other property income received		**16 115**	13 186
Share of net profit of joint venture entities	5	**8 221**	10 903
Net loss on disposal of investment property, plant and equipment		**(40)**	-
Recoveries and sundry income		**2 000**	1 939
		32 536	31 026
Gain resulting from change in fair value of investment properties		**1 346**	2 982
Total other revenue from entities external to the SA Government		**33 882**	34 008
Total other revenue		**38 493**	44 259

5. Joint venture entities

5.1 Joint venture summary

Income from joint venture entities of $8.221 million for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	2009 $'000	2008 $'000
Revenues	**39 382**	31 462
Expenses	**(31 161)**	(20 559)
Profit from ordinary activities	**8 221**	10 903

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

	2009 $'000	2008 $'000
Capital contributions and acquisition of additional interest:		
Balance at 1 July	**3 866**	1 416
Contributions during the reporting period	**1 630**	3 700
Repayments during the reporting period	**(1 287)**	(1 250)
Balance at 30 June	**4 209**	3 866
Share of accumulated profits:		
Balance at 1 July	**14 061**	18 408
Profit for the reporting period	**8 221**	10 903
Distribution of profit to the Corporation during the reporting period	**(12 536)**	(15 250)
Balance at 30 June	**9 746**	14 061
Total carrying amount of investment in joint venture entities	**13 955**	17 927

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

	2009 $'000	2008 $'000
Current assets:		
Cash	**3 372**	3 056
Receivables	**4 590**	1 240
Inventories	**9 299**	15 455
Development property	**-**	698
Deferred tax asset	**138**	-
Prepayments	**438**	6
Non-current assets:		
Inventories	**574**	2 836
Property, plant and equipment	**362**	340
	936	3 176
Total assets	**18 773**	23 631
Current liabilities:		
Creditors and other payables	**4 081**	5 374
Non-interest bearing liabilities	**401**	195
Interest bearing liabilities	**12**	74
Tax liabilities	**324**	54
Non-current liabilities:		
Deferred tax liabilities	**-**	7
	-	7
Total liabilities	**4 818**	5 704
Net assets	**13 955**	17 927

5.2 Northfield Stage 3 Joint Venture

On 31 July 2006 documentation was executed with CIC Northgate Pty Ltd, a wholly-owned subsidiary of Canberra Investment Corporation Limited, to establish a joint venture to develop the land subdivision component of Precinct One at Northgate Stage 3. The project primarily comprises the subdivision and sale of residential allotments and integrated housing sites together with the development of reserves and associated community facilities. The project is required to achieve a number of Paramount Development Objectives established by the Government, including the provision of a wide diversity of housing allotments and 15 percent of sites for high-needs and affordable housing.

The Corporation has a 50 percent interest in the Joint Venture. Under the terms of the agreements for the Joint Venture, the Corporation will make available to the Joint Venture land for development and receive progressive land payments as development proceeds. The Joint Venture has a forecast six year timeframe.

5.3 Mawson Lakes Economic Development Project

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

5.3 Mawson Lakes Economic Development Project (continued)

The Corporation has a 50 percent interest in the Joint Venture. Under the terms of the agreements for the Joint Venture, the Corporation will make available to the Joint Venture land for development. In addition the SA Government has obligations for various infrastructure works associated with the project.

5.4 Empak Homes Joint Venture

At the commencement of the reporting period the Corporation had a 50 percent interest in a joint venture with Mount Gambier developer/builder, Empak Homes. This involved the development of land at Bates Lane at Naracoorte and the creation of 31 residential allotments with the aim of providing affordable housing in the area. The land was acquired by the Corporation in June 2005 to be developed in two stages. Stage 1 was completed in July 2006 and Stage 2 was to be released when approximately 75 percent of Stage 1 was sold.

Despite ongoing marketing of Stage 1, sales were slower than expected and there was little prospect for completion of Stage 2 as originally planned due to the prevailing market conditions. In accordance with a resolution of the Joint Venture Committee, the Joint Venture was wound up during the reporting period, with the Corporation retaining ownership of the unsold allotments and Stage 2 land.

5.5 SOHO Joint Venture

The Corporation has a 50 percent interest in a joint venture with Holcon Australia Pty Ltd. This involves the environmentally sustainable, mixed use development of a parcel of lakefront land in Technology Park. The project was originally intended to create 13 waterfront SOHO (small office home office) homes and 10 commercial offices over six stages with an anticipated timeframe of approximately three years. Under the terms of the Joint Venture Agreement, the Corporation provides the land for development and receives progressive land payments as development proceeds, together with a 35 percent share of profit or loss.

Stages 1 and 2 have been completed, however market response to this product has been slow and alternatives are now being investigated including termination of the Joint Venture as one of three principal options.

5.6 PAWR Marina Joint Venture

The Corporation has a 50 percent interest in a joint venture with Newport Quays Consortium, the developers of the Port Adelaide Waterfront Redevelopment (PAWR). The Newport Quays Consortium comprises developers Urban Construct Pty Ltd and Brookfield Multiplex Developments Australia Pty Ltd. The PAWR Marina Joint Venture involves the construction of approximately 600 marina berths in the Port Adelaide inner harbour to be staged with the land-based development over the next 10 to 13 years.

Marina berths are being offered under leasehold arrangements, with the Corporation retaining ownership of the inner harbour (subjacent land). The Corporation will enter into lease arrangements with marina companies (representing berth holders) that will place obligations on lessees to procure the services of competent marina managers and achieve appropriate environmental standards in the management of the marinas. The marinas will be subject to statutory planning processes and regulatory requirements as with any other form of development. The Corporation will receive revenue by way of land payments for the subjacent land and individual marina berth sales.

6. Revenues from government

	2009	2008
Government transfers/subsidies received during the reporting period as follows:	$'000	$'000
Recurrent transfer received from Department of Treasury and Finance, administered items	564	5 535
Capital transfer received from Department of Treasury and Finance, administered items	615	615
SA Government subsidies	831	803
	2 010	6 953

7. Bad and doubtful debts expense

	2009	2008
Bad debts written off:		
Trade debtors	10	-
Transfer to provision for doubtful debts:		
Trade debtors	93	(6)
Total bad and doubtful debts expense	103	(6)

8. Income tax equivalents

In accordance with TIs issued under the PFAA, the Corporation is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate (presently 30 percent) be applied to the profit for the reporting period. The income tax equivalent paid or payable for the reporting period was $11.93 million($36.315 million).

	2009	2008
	$'000	$'000
Income tax equivalent paid in respect of the profit for the reporting period	7 000	18 355
Provision for income tax equivalent in respect of the profit for the reporting period (refer Note 19)	9 710	17 960
Total income tax equivalent expense per the Statement of Comprehensive Income	16 710	36 315

8. Income tax equivalents (continued)

The total income tax equivalent paid during the reporting period was as follows:

	2009	2008
	$'000	$'000
Income tax equivalent paid in respect of the profit for the reporting period	**7 000**	18 355
Balance of income tax equivalent paid in respect of the previous reporting period	**17 960**	8 544
Total income tax equivalent paid per the Statement of Cash Flows	**24 960**	26 899

9. Dividends

Pursuant to Regulations under the PCA, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that total dividends of $31.677 million ($61.355 million) be paid in respect of the reporting period, in addition to a top-up dividend of $15.733 million for the 2007-08 year in consideration of the final audited profit for that year.

10. Financial assets

	2009	2008
Current:	**$'000**	$'000
Mortgage debtor receivables	**6 627**	6 182
	6 627	6 182
Non-current:		
Mortgage debtor receivables	**53 195**	59 822
	53 195	59 822
Total financial assets	**59 822**	66 004

11. Receivables

Current:		
Trade and other debtors[(a)]	**6 812**	6 712
Allowance for doubtful debts	**(96)**	(3)
Total trade and other debtors	**6 716**	6 169

(a) Included in this balance are receivables from SA Government entities totalling $338 000 ($898 000).

Movement in the allowance for doubtful debts

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

Movements in carrying amounts	**2009**	2008
	$'000	$'000
Carrying amount at 1 July	**3**	9
Increase (decrease) in allowance recognised in profit or loss	**93**	(6)
Carrying amount at 30 June	**96**	3

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 allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of receivables

Refer Note 28.

Categorisation of financial instruments and risk exposure information

Refer Note 28.

12. Inventories

	2009	2008
Current:	**$'000**	$'000
Cost of acquisition	**2 290**	3 495
Development cost capitalised	**34 759**	14 333
	37 049	17 828
Non-current:		
Cost of acquisition	**86 284**	38 945
Development cost capitalised	**38 196**	51 053
	124 480	89 998
Total inventories	**161 529**	107 826

13. Prepayments

	2009	2008
Current:	**$'000**	$'000
Prepayments	**16**	31
Total prepayments	**16**	31

14. Investment property

	2009 $'000	2008 $'000
Investment property at fair value:		
Freehold land at fair value:		
At cost	**-**	198
Independent valuation - 2008	**-**	26 890
Independent valuation - 2009	**38 830**	-
	38 830	27 088
Buildings at fair value:		
At cost	**11 361**	-
Independent valuation - 2008	**-**	56 625
Independent valuation - 2009	**56 110**	-
	67 471	56 625
Total investment property	**106 301**	83 713

Movements in carrying amounts

	2009 $'000	2008 $'000
Freehold land at fair value:		
Carrying amount at 1 July	**27 088**	30 985
Transfer from inventory	**9 881**	198
Disposals	**-**	(6 875)
Gain on revaluation	**1 861**	2 780
Carrying amount at 30 June	**38 830**	27 088
Buildings at fair value:		
Carrying amount at 1 July	**56 625**	56 300
Additions	**-**	123
Transfer from work in progress	**11 361**	-
(Loss) Gain on revaluation	**(515)**	202
Carrying amount at 30 June	**67 471**	56 625
Total carrying amount at 30 June	**106 301**	83 713

	2009 $'000	2008 $'000
Amounts recognised in profit and loss:		
Rental income	**12 094**	12 078
Direct operating expenses from property that generated rental income	**(5 256)**	(5 180)
Direct operating expenses from property that did not generate rental income	**(17)**	(17)
Total amount recognised in the profit and loss	**6 821**	6 881

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arms length transactions, based on current prices in an active market for similar property. The valuations of investment properties have been performed by a panel of independent qualified valuers. The Bio Innovation SA laboratory facility was transferred from work in progress during the reporting period and has been valued at cost at period end.

15. Plant and equipment

	2009 $'000	2008 $'000
Plant and equipment:		
At cost	**3 610**	3 934
Accumulated depreciation	**(2 810)**	(2 925)
Total plant and equipment	**800**	1 009

Movements in carrying amounts

	2009 $'000	2008 $'000
Plant and equipment:		
Carrying amount at 1 July	**1 009**	1 307
Additions	**186**	75
Disposals	**(40)**	-
Depreciation	**(355)**	(373)
Total carrying amount at 30 June	**800**	1 009

16. Work in progress

Movements in carrying amounts

	2009 $'000	2008 $'000
Carrying amount at 1 July	**10 129**	36 224
Additions	**1 232**	20 414
Capitalised interest	**-**	261
Transferred to inventory	**-**	(46 770)
Transferred to investment property	**(11 361)**	-
Carrying amount at 30 June	**-**	10 129
Consists of:		
Construction projects in progress	**-**	10 129
Total construction projects in progress	**-**	10 129

17. Payables

	2009 $'000	2008 $'000
Current:		
Trade creditors	**3 270**	3 521
Sundry creditors and accrued expenses	**20 581**	27 380
	23 851	30 901
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**81**	93
	581	593
Total payables	**24 432**	31 494

	2009 $'000	2008 $'000
The total includes liabilities payable to SA Government entities, comprising:		
Current:		
Trade creditors	**181**	176
Sundry creditors and accrued expenses	**15 341**	20 254
Non-current:		
Non-interest bearing loan - Department of Trade and Economic Development	**500**	500
Sundry creditors and accrued expenses	**55**	58
	555	558
Total payables to SA Government entities	**16 077**	20 988

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.

Maturity analysis of payables
Refer to table in Note 28.

Categorisation of financial instruments and risk exposure information
Refer to table in Note 28.

18. Interest-bearing liabilities

	2009 $'000	2008 $'000
Current:		
Loans - SAFA[(a)]	**18 605**	27 358
Loans - SAFA[(b)]	**28 800**	8 800
	47 405	36 158
Non-Current:		
Loans - SAFA[(a)]	**77 481**	72 856
Loans - SAFA[(b)]	**44 435**	9 600
	121 916	82 456
Total interest-bearing liabilities	**169 321**	118 614

(a) Comprises borrowings from SAFA in respect of funding for industrial and commercial construction projects under the Industrial and Commercial Premises Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Corporation.

Maturity analysis of borrowings
Refer to table in Note 28.

Nature and extent of risk arising from borrowings
Refer Note 28.

Defaults and breaches
There were no defaults or breaches on any of the above liabilities throughout the year.

19. Tax liabilities

	2009 $'000	2008 $'000
Current:		
Income tax equivalent	**9 710**	17 960
Total tax liabilities	**9 710**	17 960

20. Employee benefits

20.1 Total employee benefits

	2009	2008
Current:		
Accrued wages and salaries	**206**	166
Annual leave	**610**	458
Long service leave	**41**	40
	857	664
Non-current:		
Long service leave	**1 006**	974
	1 006	974
Total employee benefits	**1 863**	1 638

20.2 Aggregate employee benefits and related on-costs

	Note	2009 $'000	2008 $'000
Accrued wages and salaries		**206**	166
Accrued superannuation		**17**	13
		223	179
Annual leave - current:			
Liability for employee benefits		**610**	458
On-costs included in payables	17	**44**	37
		654	495
Long service leave - current:			
Liability for employee benefits		**41**	40
On-costs included in payables	17	**4**	4
		45	44
Long service leave - non-current:			
Liability for employee benefits		**1 066**	974
On-costs included in payables	17	**77**	89
		1 083	1 063
Aggregate employee benefits and related on-costs		**2 005**	1 781

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for measurement of the long service leave liability has not changed from the 2008 benchmark of 6.5 years.

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate of 4.5 percent. The net financial effect of this change in the current and future financial periods is not material and therefore has not been estimated.

21. Unearned income

	2009 $'000	2008 $'000
Current:		
Unearned income	**996**	997
Non-current:		
Unearned income	**3 565**	3 614
Total unearned income	**4 561**	4 611

Movements in carrying amounts

Carrying amount at 1 July	**4 611**	490
Received during the year	**524**	4 564
Recognised in the Statement of Comprehensive Income	**(574)**	(443)
Carrying amount at 30 June	**4 561**	4 611

Consists of rental income received in advance for marina and other leases.

22. Provision for development expenditure

Current:		
Provision for development expenditure	**8 703**	10 196
Total provision	**8 703**	10 196

Movements in carrying amounts

Provision for development expenditure:		
Carrying amount at 1 July	**10 196**	-
Additional provisions recognised	**-**	10 196
Reductions arising from payments	**(1 493)**	-
Total carrying amount at 30 June	**8 703**	10 196

Provisions have been set aside to meet future development obligations in respect of land which has been sold or developed ready for sale.

23. Unrecognised contractual commitments - operating leases

Operating lease receivables

Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:

	2009 $'000	2008 $'000
Due not later than one year	**12 363**	6 821
Due later than one year but not later than five years	**27 713**	12 233
Due later than five years	**26 637**	14 660
Total operating lease receivables	**66 713**	33 714

Operating lease payables

Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:

	2009	2008
	$'000	$'000
Payable not later than one year	660	556
Payable later than one year but not later than five years	2 430	518
Payable later than five years	3 788	5
Total operating lease payables	6 878	1 079

These amounts comprise property leases and leases for motor vehicles. The property leases are non-cancellable and will expire on 31 December 2020, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

24. Unrecognised contractual commitments - capital expenditure

Capital expenditure commitments arising from general operations

At reporting date the Corporation had capital expenditure commitments from general operations as follows:

	2009	2008
	$'000	$'000
Payable not later than one year	15 819	12 601
Payable later than one year but not later than five years	1 309	3 182
Payable later than five years	79	-
	17 207	15 783

The increase in capital expenditure commitments over the reporting period resulted from significant infrastructure works relating to the Playford Alive project. As at 30 June 2009 commitments relating to this project were estimated to be $8.618 million.

Estimates of additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

Capital expenditure commitments arising from Edinburgh Parks acquisition

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to the Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase are summarised as follows:

Stage 0 land and buildings

At 30 June 2008, the Corporation had an amount due and payable to DTED of $8.854 million as part of ongoing contractual arrangements. This amount was included in the total of accrued expenses in the financial statements (refer Note 17) and has been paid prior to 30 June 2009. In addition an amount may be payable to DTED, representing 25 percent of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be $1.646 million ($2.536 million).

Stages 1 and 3

Assets included in Stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to DTED and the Commonwealth Department of Defence based on the land area sold.

Expenditure commitments are summarised below, subject to the sale of remaining allotments.

	2009	2008
Stages 1 and 3 land:	$'000	$'000
Payable not later than one year	-	499
Payable later than one year but not later than five years	5 643	9 269
Payable later than five years	4 371	-
	10 014	9 768

Stage 2 had previously been completed by DTED.

Stages 4 onwards

On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Commitments for the purchase of this land, based on current sales forecasts, are summarised below:

	2009	2008
Stage 4 onwards land:		
Payable not later than one year	-	363
Payable later than one year but not later than five years	2 587	2 224
Payable later than five years	1 522	1 522
	4 109	4 109

Other expenditure commitments in respect of Edinburgh Parks

Other expenditure commitments at balance date were $939 000 payable within 12 months ($3.848 million), and $35 000 payable within 2-5 years ($17 000).

Capital expenditure commitments arising from the Port Adelaide Waterfront Redevelopment Project
Under the Project Development Agreement for the Port Adelaide Waterfront Redevelopment project, the Corporation may be required to pay up to $37 323 274 million in remediation costs, with each Precinct required to be remediated before its agreed construction commencement date. Remediation for Precincts 1 and 2A had been completed by 30 June 2008. Works for Precincts 2B and 8 were underway at 30 June 2009, the value of which is included in the above table of capital expenditure commitments.

Remaining payments under this commitment are anticipated to total $20.2 million payable for the life of the project. These amounts have not been included in the above table.

25. Contingent assets and liabilities

Contingent assets
The Corporation has indemnities from DTED relating to various industry assistance packages totalling $3.881 million as at 30 June 2009 ($8.486 million). These indemnities relate to purpose-built facilities constructed under the Industrial and Commercial Premises Scheme and are provided as follows:

(i) In respect of properties owned by the Corporation and leased to tenants, the indemnity covers any shortfall between current valuation and historical cost.

(ii) In respect of properties that are subject to a deferred purchase arrangement, the indemnity covers any shortfall between current valuation and loan balance outstanding.

As at 30 June 2009, the Corporation has other contingent assets related to land acquisitions.

Contingent liabilities

	2009	2008
Mawson Lakes Joint Venture (refer Note 5.3)		
Indemnity for letter of guarantee in favour of local and SA Government authorities. The maximum liability amounts to $578 000 ($5.389 million).	**$'000**	$'000
The Corporation's contingent liability in respect of this amount is 50 percent	**289**	2 695

Port Adelaide Waterfront Redevelopment Project
Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement of October 2004, the Corporation has provided an initial performance bond of $5 million, issued by SAFA in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in $1 million decrements over the development period proportionate to the remaining Precincts to be developed.

The performance bond is part of mutual obligations as security for:

(i) the performance by the Corporation and the development consortium of their respective obligations pursuant to the Agreement

(ii) the liability of either party upon termination pursuant to the Agreement.

Other
The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

26. Cash flow reconciliation

	2009	2008
Reconciliation of cash and cash equivalents:	**$'000**	$'000
Statement of Cash Flows	**22 804**	53 478
Statement of Financial Position	**22 804**	53 478

Reconciliation of total comprehensive result to net cash (used in) provided by operating activities

	2009	2008
Total comprehensive result for the year	**38 990**	84 736
Add (Less): Non-cash items:		
Share of net profits of joint venture entities	**(8 221)**	(10 903)
Net gain on disposal of investment property, plant and equipment	**40**	-
Depreciation	**355**	373
Revaluation increment	**(1 346)**	(2 982)
Write-down of inventory held-for-sale	**10 471**	-
Movements in assets and liabilities:		
Decrease (Increase) in mortgage receivables	**6 182**	(46 568)
Increase in other receivables	**(548)**	(4 540)
Decrease in prepayments	**16**	14
Decrease in work in progress	**-**	35 770
Increase in inventories	**(64 175)**	(23 928)
(Decrease) Increase in payables	**(6 455)**	3 599
(Decrease) Increase in unearned income	**(49)**	3 614
(Decrease) Increase in tax liabilities	**(8 250)**	9 416
(Decrease) Increase in development expenditure	**(1 493)**	10 196
Increase in employee benefits	**221**	296
Net cash (used in) provided by operating activities	**(34 262)**	59 093

27. Cash assets

	2009	2008
	$'000	$'000
Deposits with the Treasurer	**21 525**	51 849
Short-term deposits with SAFA	**621**	1 116
Cash in trust, at bank and on hand	**658**	513
Cash shown in the Statement of Financial Position and Statement of Cash Flows	**22 804**	53 478

Deposits with the Treasurer
Includes funds held in the Corporation's Operating Account.

Short-term deposits
Short-term deposits are made for varying periods of between one day and three months, are lodged with SAFA and earn the respective short-term deposit rates.

Interest rate risk
Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash represents fair value.

28. Financial instruments disclosure / financial risk management

28.1 Categorisation of financial instruments

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

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

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

	2009		2008	
	Carrying amount	**Net fair value**	Carrying amount	Net fair value
Financial assets	**$'000**	**$'000**	$'000	$'000
Cash assets	**22 804**	**22 804**	53 478	53 478
Trade and other debtors	**6 812**	**6 812**	6 172	6 172
Mortgage debtors	**59 822**	**47 933**	66 004	48 045
Allowance for doubtful debts	**(96)**	**(96)**	(3)	(3)
Total financial assets	**89 342**	**77 453**	125 651	107 692
Financial liabilities				
Payables	**24 432**	**24 432**	31 495	31 495
SAFA loans	**169 321**	**143 084**	118 614	116 263
Total financial liabilities	**193 753**	**167 516**	150 109	147 758
Net financial liabilities	**(104 411)**	**(90 063)**	(24 458)	(40 066)

28.2 Credit risk

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

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

28.3 Ageing analysis of financial assets

	Past due by			
	Overdue for less than 30 days	**Overdue for 30-60 days**	**Overdue for more than 60 days**	**Total**
2009	**$'000**	**$'000**	**$'000**	**$'000**
Not impaired:				
Receivables	**799**	**168**	**64**	**1 031**
Impaired:				
Receivables	**-**	**-**	**96**	**96**
2008				
Not impaired:				
Receivables	161	27	60	248
Impaired:				
Receivables	-	1	2	3

28.4 Maturity analysis of financial assets and liabilities

		Contractual maturity		
2009	**Carrying amount $'000**	**Less than 1 year $'000**	**1-5 years $'000**	**More than 5 years $'000**
Financial assets:				
Cash assets	**22 804**	**22 804**	**-**	**-**
Trade and other debtors	**6 812**	**6 812**	**-**	**-**
Mortgage debtors	**59 822**	**6 627**	**31 056**	**22 139**
Allowance for doubtful debts	**(96)**	**(96)**	**-**	**-**
Total financial assets	**89 342**	**36 147**	**31 056**	**22 139**
Financial liabilities:				
Payables	**24 432**	**23 851**	**81**	**500**
SAFA loans	**169 321**	**47 405**	**72 842**	**49 074**
Total financial liabilities	**193 753**	**71 256**	**72 923**	**49 574**
Net financial liabilities	**(104 411)**	**(35 109)**	**(41 867)**	**(27 435)**
2008				
Financial assets:				
Cash assets	53 478	53 478	-	-
Trade and other debtors	6 172	6 172	-	-
Mortgage debtors	66 004	6 182	29 508	30 314
Allowance for doubtful debts	(3)	(3)	-	-
Total financial assets	125 651	65 829	29 508	30 314
Financial liabilities:				
Payables	31 494	30 901	93	500
SAFA loans	118 614	36 158	34 759	47 697
Total financial liabilities	150 108	67 059	34 852	48 197
Net financial liabilities	(24 457)	(1 230)	(5 344)	(17 883)

28.5 Liquidity risk

Liquidity risk arises where the Corporation is unable to meet its financial obligations as they fall due. The continued existence of the Corporation is dependent on State Government policy and on continuing appropriations by Parliament for the Corporation's administration and programs. The Corporation 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 Corporation'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 28.1 represent the Corporation's maximum exposure to financial liabilities.

28.6 Market risk

Market risk for the Corporation is primarily through price risk. Prices for industrial and commercial property have been volatile as a consequence of the global financial crisis and the onset of recessionary economic pressures. The Corporation also has exposure to interest rate risk arising through its interest bearing liabilities, including borrowings. The Corporation's interest bearing liabilities are managed through SAFA and any movements in interest rates are monitored on a daily basis. There is no exposure to foreign currency risks.

A sensitivity analysis has not been undertaken for the interest rate risk of the Corporation as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial. The impact of price movements on the financial results is impractical to estimate as the analysis would be overly assumptive.

29. Employees' remuneration

	2009	2008
Total employee benefit expense	**$'000**	$'000
Salaries and wages	**7 882**	6 831
Long service leave	**12**	101
Annual leave	**145**	20
Employment on-costs - superannuation	**1 182**	1 132
Employment on-costs - other	**599**	547
Board fees	**94**	68
Other employee related expenses	**94**	142
Total employee benefit expense per the Statement of Comprehensive Income	**10 008**	8 841

No employees were paid TVSPs during the reporting period.

Remuneration of employees

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

The number of employees whose remuneration from the Corporation was within the following bands were:	**2009 Number**	2008 Number
$100 001 - $110 000	**6**	3
$110 001 - $120 000	**8**	7
$120 001 - $130 000	**4**	2
$130 001 - $140 000	**4**	3
$140 001 - $150 000	**3**	2
$150 001 - $160 000	**1**	3
$160 001 - $170 000	**-**	1
$170 001 - $180 000	**1**	1
$180 001 - $190 000	**2**	2
$190 001 - $200 000	**1**	-
$200 001 - $210 000	**1**	-
$220 001 - $230 000	**1**	-
$260 001 - $270 000	**-**	1
$310 001 - $320 000	**1**	-
	33	25

Total income received or due and receivable by the above employees for the period they held office was $4.65 million ($3.49 million).

The number of employees at the reporting date was 92.4 (93.3).

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:

	2009 $'000	2008 $'000
Within one year	**7 031**	6 396
Later than one year but not longer than five years	**7 197**	6 875
	14 228	13 271

30. Key management personnel

30.1 Board members

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

M J Terlet, AO, Chairman
J M Carr
B M Deed
D W Gray
L C Hart
R G Hook
A Maddern
T S Maras (appointed 15 December 2008)

30.2 Other key management personnel

The following persons held authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly during the current and previous financial years:

W Gibbings	Chief Executive
J S Blaess	General Manager - Projects
M J Buchan	Chief Financial Officer and General Manager - Corporate Affairs
D C Litchfield	General Manager - Projects (resigned 12 June 2009)
A E Rix	General Manager - Projects
D M Ryan	General Manager - Corporate Services (retired 31 December 2008)
W J Stuart	General Manager - Projects

30.3 Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2009 and 2008 is set out below.

The key management personnel are the governing Board members and the senior management team (including the Chief Executive) who have responsibility for the strategic direction and management of the Corporation.

	2009 $'000	2008 $'000
Short-term employee benefits	**1 564**	1 559
Long-term employee benefits	**75**	17
	1 639	1 576

30.4 Remuneration of governing Board members	**2009**	2008
The number of governing Board Members whose remuneration received or receivable falls within the following bands:	**Number**	Number
$0	**3**	3
$10 001 - $20 000	**1**	-
$20 001 - $30 000	**-**	3
$30 001 - $40 000	**3**	-
$50 001 - $60 000	**-**	1
$60 001 - $70 000	**1**	-

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $185 000 ($132 000), including fees received by one Director in relation to the appointment to the Mawson Lakes Joint Venture Committee. No additional remuneration was paid to any Director in respect of their membership of a Board Committee.

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

The number of Directors who held office at 30 June 2009 was 8 (7).

31. Auditor's remuneration

	2009	2008
	$'000	$'000
Audit fees paid or payable to the Auditor-General's Department	**126**	139
Total auditor's remuneration	**126**	139

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

32. External consultants

The number and dollar amount of consultancies paid/payable included in the Statement of Comprehensive Income that fell within the following bands:

	2009		2008	
	Number	**$'000**	Number	$'000
Below $10 000	**63**	**220**	59	256
Between $10 000 and $50 000	**34**	**716**	34	613
Above $50 000	**9**	**581**	9	885
Total recognised in the Statement of Comprehensive Income	**106**	**1 517**	102	1 754

33. Related party disclosure

Directors

Details of the Directors of the Corporation appointed in accordance with the Regulations under the PCA are set out in Note 30.

During the period of their appointment to the Corporation the Directors disclosed the following:

Mr M J Terlet AO was Chairman of the International Wine Investment Fund, United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies and the International Centre of Excellence in Water Research Management. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of E & A Limited and The University Senior College. He was a Board member of Business SA and Chairman of Operation Flinders. He was a Director of the Australian Submarine Corporation and a co-Chairman of the SA Business and Parliamentary Trust.

Ms J M Carr was Executive Director, Building Management, Department for Transport, Energy and Infrastructure and a Board Member of the Architects Board of South Australia and the State Procurement Board and Chair of the South Australian Heritage Council.

Ms B M Deed was General Manager of retail business The Heart Shop (until October 2008), Chairman of the Australian Red Cross SA Divisional Board (until November 2008) and Chairman of Healthage Pty Ltd.

Mr D W Gray was Director of Platinum Group Pty Ltd, Director David Gray Pty Ltd, Managing Director, GKO Management Pty Ltd and President of Legacy Club of Adelaide Inc.

Ms L Hart was Executive Director, Policy Analysis and Government Enterprises, Department of Treasury and Finance, a Director of Generation Lessor Corporation, Distribution Lessor Corporation and Transmission Lessor Corporation, Director and Chair of Transmission Leasing Pty Ltd, Director and Chair of RESI Corporation, and Director and Deputy Chairman of the South Australian Asset Management Corporation.

Mr R G Hook was Deputy Chief Executive of the Department for Transport, Energy and Infrastructure, Rail Commissioner, South Australia's Co-ordinator General for the Nation Building Economic Stimulus Plan and Chair of the State League Netball Management Committee.

Ms A Maddern was a full-time employee of BHP Billiton Limited.

Directors (continued)

Mr T S Maras was owner/Director of the Maras Group and Director of Mancorp Group. He was Chairman and Director of Common Ground, Member of the South Australian Affordable Housing Trust Board, Chairman of the Unley Street Life Trust, Chairman of the University of Adelaide Heritage Foundation Trust, President of the Federation of Greek Orthodox Communities of Australia, member of Ridleyton Greek Home for the Aged, member of the Helpmann Academy, member of the Norwood Economic Development Board and member of the Foundation for Modern Greek.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Corporation had entered into a transaction during the year ended 30 June 2009.

34. Events after the end of the reporting period

In September 2009 Cabinet approved the transfer of the majority of the assets, land holding and operational responsibility ($44.31 million) of Technology Park from the Corporation to Defence SA, to take effect 1 October 2009.

LEGAL SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The Legal Services Commission (the Commission) is a body corporate established pursuant to subsection 6(1) of the *Legal Services Commission Act 1977* (the LSC Act). Subsection 6(3) of the LSC Act specifies that the Commission is not an instrumentality of the Crown and is independent of the Government.

Functions

The LSC Act provides for the Commission to undertake a variety of functions concerning legal assistance, including providing or arranging for legal assistance and determining the criteria under which that assistance is granted.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Section 25 of the LSC Act and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Assessment of controls

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

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

Scope of audit

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

Specific areas of audit attention included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash at bank
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Legal Services Commission as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Legal Services Commission 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 relating to the implementation of the revised TIs 2 and 28 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Legal Services Commission 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 Chairperson of the Commission. Matters raised with the Commission included their progress in the implementation of TIs 2 and 28 requirements and minor control improvements over reconciliation processes and the review of payroll bona fide reports. The response to these matters was considered satisfactory.

Implementation of the revised TIs 2 and 28

Review of the implementation of TIs 2 and 28 noted that the Commission had put significant effort into the documentation of these requirements. While it had up-to-date policies and procedures consistent with TI 2 it had not fully implemented a financial management compliance program as required by TI 28.

It was recommended that the Commission report progress on implementation of the financial management compliance program through the Audit and Compliance Committee, including updating the program to reflect control activities that the Commission relies on to achieve financial management obligations and requirements and to demonstrate and maintain evidence of this process.

The Commission agreed to monitor the implementation of the financial management compliance program through the Audit and Compliance Committee and to finalise implementation of the program as recommended.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
EXPENSES		
Employee benefit expenses	**14.4**	13.5
Legal expenses	**16.4**	15.4
Other expenses	**4.4**	4.4
Total expenses	**35.2**	33.3
INCOME		
Legal Practitioners Act revenue	**3.8**	4.4
Other income	**2.8**	2.8
Total income	**6.6**	7.2
Net cost of providing services	**28.6**	26.1
REVENUES FROM GOVERNMENT		
Commonwealth Government grants	**13.7**	13.7
State Government grants	**14.8**	14.2
Total revenues from Government	**28.5**	27.9
Net result and comprehensive result	**(0.1)**	1.8
NET CASH PROVIDED BY OPERATING ACTIVITIES	**0.8**	2.1

	2009 $'million	2008 $'million
ASSETS		
Current assets	**17.3**	17.2
Non-current assets	**5.3**	4.9
Total assets	**22.6**	22.1
LIABILITIES		
Current liabilities	**3.5**	3.0
Non-current liabilities	**2.5**	2.4
Total liabilities	**6.0**	5.4
EQUITY	**16.6**	16.7

Statement of Comprehensive Income

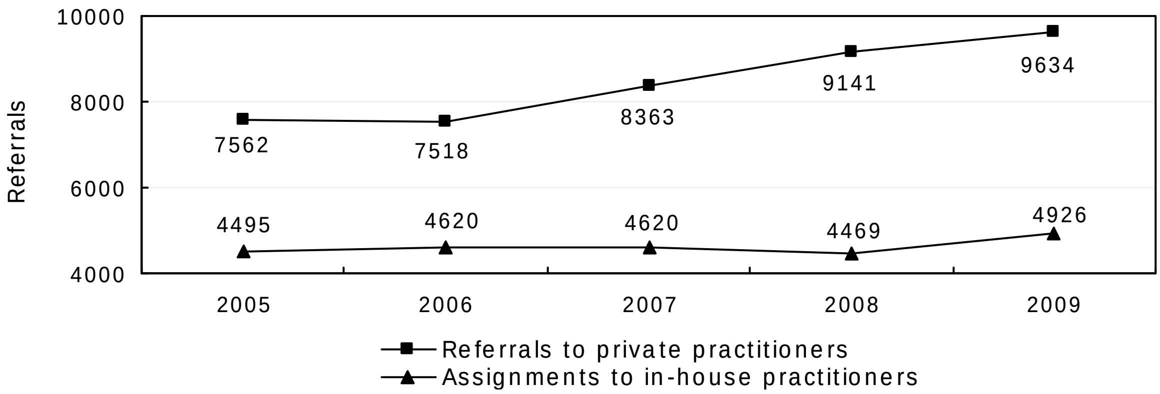
Operating expenses

The main operating expenses are employee benefits and private practitioners services. Employee benefits - salary and wages increased 7 percent due mainly to enterprise bargaining increases and filling of positions which were vacant in the prior year.

Referrals to private and in-house practitioners

Legal aid is provided by the Commission's practitioners and by referrals to private practitioners.

The following chart shows the trend in referrals to private practitioners and assignments to in-house practitioners over the past five years.



Applications assigned to in house practitioners totalled 4926 cases (4469) or 34 percent (33 percent) of assigned cases.

Referrals to private practitioners for the year totalled 9634 cases (9141) representing a 5 percent increase. Referrals to private practitioners are 66 percent (67 percent) of all referral and assigned cases. Fees to private legal practitioners for these cases (legal expenses) amounted to $16.4 million ($15.4 million) and comprised 47 percent (46 percent) of total expenses.

Income

Commonwealth Government grants

Legal assistance is provided in South Australia for matters arising under Commonwealth law. The matters are predominantly in the area of family law and to a lesser extent criminal and specific civil matters. In meeting the cost of providing this legal aid, the Commission receives funding from the Commonwealth Government under an agreement between the Commonwealth and State Governments. Grants received are expended in accordance with the agreement.

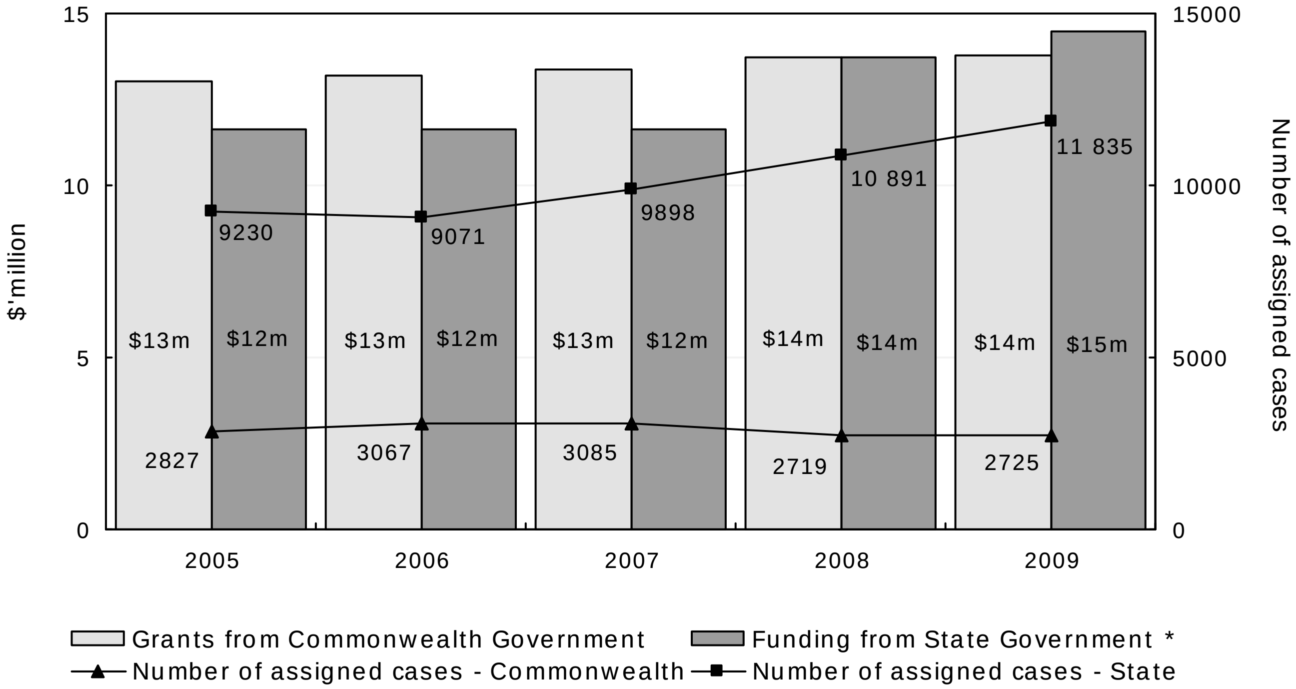
Grants from the Commonwealth Government totalled $13.7 million ($13.7 million) and comprised 39 percent (39 percent) of total revenues of the Commission. As at 30 June 2009, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $7.5 million ($8.1 million). Further information as to the nature of Commonwealth Government grants is disclosed in Note 12 of the Commission's financial statements.

State Government funding

The funding provided by the State is determined through the budgetary process of the SA Government. The State funding received by the Commission is expended on state law matters and these are predominantly criminal cases, and community advice and education.

General funding from the State Government totalled $14.5 million and comprised 42 percent (39 percent) of total revenues of the Commission.

Specific State grants for expensive cases totalled $289 000 ($472 000).



* Excluding expensive case grants

The foregoing chart illustrates, for the past five years, the amounts of State and Commonwealth funding provided (not including expensive case funding). It also illustrates the number of cases that have been assigned that relate to Commonwealth and State funding. Grants received from the Commonwealth have remained relatively consistent over the last five years. The number of assigned Commonwealth cases has also remained relatively consistent over that time. In contrast, since 2006, the number of assigned State cases has increased 30 percent.

Legal Practitioners Act revenue

Revenue received from the Law Society of South Australia in accordance with the *Legal Practitioners Act 1981* was $3.9 million ($4.4 million). This revenue varies from year to year as it is dependent on the level of trust monies held by legal practitioners in South Australia and the Law Society of South Australia and interest rates relating to these monies. Of note are the following items:

- Interest on legal practitioners trust accounts decreased by $640 000 to $1.9 million.
- $209 000 was received from the Legal Practitioners Guarantee Fund during 2008-09. The transfer of monies from this Fund requires the approval of the Attorney-General.

For further information, refer to Note 9 of the Commission's financial statements.

Net result

The net result was a loss of $65 000 down from a surplus of $1.8 million in 2007-08.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2009.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**0.8**	2.1	1.0	2.4
Investing	**(0.2)**	(0.2)	(0.2)	(0.6)
Change in Cash	**0.6**	1.9	0.8	1.8
Cash at 30 June	**16.0**	15.4	13.5	12.7

The analysis of cash flows shows a gradual increase in cash at the end of each reporting period.

As discussed previously under 'Commonwealth Government grants', revenues received from the Commonwealth Government can only be expended on Commonwealth law matters. As at 30 June 2009, Commonwealth grant funding received but not yet expended in the manner specified by the Commonwealth totalled $7.5 million ($8.1 million). Further, Note 22 sets out legal expense commitments at 30 June 2009.

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	**2009 $'000**	2008 $'000
EXPENSES:			
Employee benefit expenses	4	**14 410**	13 486
Private practitioner services	2.16	**16 455**	15 437
Private practitioner services - other expensive State matters	5	**289**	472
Supplies and services	6	**3 721**	3 498
Depreciation and amortisation expense	7	**310**	331
Other expenses	8	**54**	47
Total expenses		**35 239**	33 271
INCOME:			
Legal Practitioners Act revenue	9	**3 851**	4 385
Statutory charges		**927**	1 002
Interest revenue		**914**	1 142
Costs recovered and contributions	10	**540**	300
Other income	11	**395**	324
Total income		**6 627**	7 153
NET COST OF PROVIDING SERVICES		**28 612**	26 118
REVENUES FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement	12	**12 981**	12 701
Primary dispute resolution	12	**336**	329
Family duty solicitor services	12	**336**	329
Child support - stage one matters	12	**84**	282
IAAAS income	12	**25**	25
State Government:			
Funding	13	**14 496**	13 698
State - LEAP project	13	**-**	48
Expensive cases - other matters	13	**289**	472
Total revenues from Governments		**28 547**	27 884
NET RESULT		**(65)**	1 766
TOTAL COMPREHENSIVE RESULT		**(65)**	1 766

Statement of Financial Position
as at 30 June 2009

	Note	2009 $'000	2008 $'000
CURRENT ASSETS:			
Cash and cash equivalents	21	**16 030**	15 461
Receivables	14	**1 117**	1 545
Other current assets	15	**218**	177
Total current assets		**17 365**	17 183
NON-CURRENT ASSETS:			
Property, plant and equipment	16	**1 104**	1 151
Intangible assets	16.1	**10**	30
Statutory charge debtors	17	**4 181**	3 731
Total non-current assets		**5 295**	4 912
Total assets		**22 660**	22 095
CURRENT LIABILITIES:			
Legal payables		**1 685**	1 464
Payables	18	**391**	368
Employee benefits	19	**1 387**	1 113
Total current liabilities		**3 463**	2 945
NON-CURRENT LIABILITIES:			
Payables	18	**186**	165
Employee benefits	19	**2 362**	2 271
Total non-current liabilities		**2 548**	2 436
Total liabilities		**6 011**	5 381
NET ASSETS		**16 649**	16 714
EQUITY:			
Asset revaluation reserve	2.9	**79**	79
Other reserves	20	**328**	328
Retained earnings		**16 242**	16 307
TOTAL EQUITY		**16 649**	16 714
Commitments	22,23		
Contingent liabilities	25		

Statement of Changes in Equity
for the year ended 30 June 2009

	Asset revaluation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	79	342	14 527	14 948
Net result	-	-	1 766	1 766
Total recognised income and expense for 2007-08	-	-	1 766	1 766
Transfer to and from reserves	-	(14)	14	-
Balance at 30 June 2008	79	328	16 307	16 714
Net result	-	-	(65)	(65)
Total recognised income and expense for 2008-09	-	-	(65)	(65)
Balance at 30 June 2009	**79**	**328**	**16 242**	**16 649**

Statement of Cash Flows
for the year ended 30 June 2009

	Note	**2009 Inflows (Outflows) $'000**	2008 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(13 984)**	(13 234)
Supplies and services		**(3 873)**	(3 579)
Private practitioner services		**(16 258)**	(15 348)
Private practitioner services - other expensive State matters		**(289)**	(472)
GST payments on purchases		**(2 087)**	(2 115)
Cash used in operations		**(36 491)**	(34 748)
CASH INFLOWS:			
Legal Practitioners Act receipts		**4 236**	4 383
Costs recovered and contributions		**478**	230
Statutory charge receipts		**566**	764
Interest received		**968**	1 122
GST receipts on revenue		**178**	164
GST recovered from the ATO		**1 909**	1 852
Other receipts		**395**	452
Cash generated by operations		**8 730**	8 967
CASH FLOWS FROM GOVERNMENTS:			
Commonwealth Government:			
Funding agreement		**12 981**	12 701
Primary dispute resolution		**336**	329
Family duty solicitor services		**336**	329
Child support - stage one matters		**84**	282
Other income		**25**	25
State Government:			
Funding		**14 496**	13 698
State - LEAP project		**-**	48
Expensive cases - other matters		**289**	472
Total cash flows from governments		**28 547**	27 884
Net cash provided by operating activities	21	**786**	2 103
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(217)**	(155)
Cash used in investing activities		**(217)**	(155)
Net cash used in investing activities		**(217)**	(155)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**569**	1 948
CASH AND CASH EQUIVALENTS AT 1 JULY		**15 461**	13 513
CASH AND CASH EQUIVALENTS AT 30 JUNE	21	**16 030**	15 461

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

Except for the amendments to AASB 101, which the Commission has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2009.

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for the valuation of the library, which is at an independent valuation.

The Statement of Cash Flows has been prepared on a cash basis.

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

2.2 Comparative figures

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

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

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

2.3 Rounding

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

2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the ATO as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for GST.

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

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

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

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

2.5 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 Commission will occur 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 a specific accounting standard.

Government funding

The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government funding expensive cases

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other revenue

Other revenue is recognised as it accrues.

2.6 *Current and non-current classification*

Assets and liabilities are characterised as either current or non-current in nature. The Commission 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.

2.7 *Cash and cash equivalents*

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

2.8 *Property, plant and equipment*

In accordance with APF III and the Commission's revaluation policy, property plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than $1 million.

2.9 *Asset revaluation reserve*

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

2.10 *Impairment*

All non-current tangible and intangible assets are reviewed for indication of impairment 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.

2.11 *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 physical assets such as plant and equipment.

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

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

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

Class of asset	*Depreciation method*	*Useful life (years)*
Plant and equipment:		
Computers	Straight-line	3-5
Office equipment	Straight-line	5-13
Furniture and fittings	Straight-line	13
Leasehold improvements	Straight-line	10
Intangibles	Straight-line	3-5

2.12 *Payables*

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

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

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 in accordance with TI 11.

Legal payables represent invoices for work completed prior to 30 June 2009 received by the Commission up to and including 16 July 2009. Amounts billed after this date are reflected in legal expense commitments as disclosed at Note 22.

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

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. 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.

2.13 Employee benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with APF IV the employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at Note 19.

1. *Annual leave*
   Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

2. *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.

3. *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 shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Commission's experience of employee retention and leave taken.

4. *Superannuation*
   Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

   (a) The Commission paid an amount to 'Comsuper' towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to $74 000 ($77 000).

   (b) During 2008-09 the Commission paid $1.3 million ($1.2 million) to the superannuation schemes towards the accruing government liability for superannuation in respect of all employees.

2.14 Workers compensation

The Commission pays a workers compensation levy to WorkCover to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCover.

2.15 Financial instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2009, are as follows:

Financial assets

Cash at bank (Note 21) comprises deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 2.90 percent and 7.72 percent for the year ended 30 June 2009 (6.15 percent and 7.67 percent).

Receivables (Note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is recorded at the carrying amount.

Allowance for impairment loss is based on past experiences and expected changes in client credit rating and is reviewed at each reporting date. As at 30 June 2009, there is no evidence to indicate that financial assets are impaired.

Financial liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.16 Private practitioner services

Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.17 Trust funds

Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2009, the total funds held were $116 000 ($219 000). These funds are not controlled by the Commission. As such they are not recognised in the financial statements.

3. New and revised accounting standards and policies

Except for the amendments to AASB 101, which the Commission has early-adopted, including the preparation of a single Statement of Comprehensive Income, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period 30 June 2009. The Commission 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 statements of the Commission.

4. Employee benefit expenses

	2009	2008
	$'000	$'000
Salaries and wages	**12 177**	11 390
Superannuation	**1 390**	1 302
Long service leave	**472**	407
Payroll tax	**297**	284
Workers compensation	**74**	103
Total employee expenses	**14 410**	13 486

Remuneration of employees

The number of employees whose remuneration received or receivable fell within the following bands:	**2009 Number**	2008 Number
$100 001 - $110 000	**7**	6
$110 001 - $120 000	**5**	3
$120 001 - $130 000	**2**	4
$130 001 - $140 000	**4**	2
$140 001 - $150 000	**1**	1
$150 001 - $160 000	**1**	-
$170 001 - $180 000	**-**	1
$180 001 - $190 000	**2**	1
$220 001 - $230 000	**-**	1
$230 001 - $240 000	**1**	-
$250 001 - $260 000	**-**	1
$270 001 - $280 000	**1**	-
$290 001 - $300 000	**1**	1
Total number of employees	**25**	21

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflect all costs of employment including salaries and wages, superannuation contributions and related payments.

The total remuneration received or due and receivable by these employees was $3.6 million ($3 million).

5. State expensive case matters

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. These matters are separately funded by the State Government (refer Note 13).

6. Supplies and services

	2009	2008
Supplies and services provided by entities external to SA Government:	**$'000**	$'000
Accommodation	**1 228**	1 162
Computing and communications	**798**	763
Travel	**151**	94
Office requisites	**264**	238
Library	**184**	192
Consultancy fees	**45**	116
Other	**300**	285
Total supplies and services - non-SA Government entities	**2 970**	2 850
Supplies and services provided by entities within SA Government:		
Accommodation	**180**	168
Computing and communications	**241**	291
Travel	**65**	61
Office requisites	**13**	7
Consultancy Fees	**100**	24
Other*	**152**	97
Total supplies and services - SA Government entities	**751**	648
Total supplies and services	**3 721**	3 498

* Includes Auditor's remuneration of $56 000 ($54 500), for auditing the accounts. The auditors provided no other services and received no other benefits.

6. Supplies and services (continued)

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

	2009		2008	
	Number	**$'000**	Number	$'000
Below $10 000	**1**	**9**	2	14
Between $10 000 and $50 000	**1**	**38**	2	46
Above $50 000	**1**	**98**	1	80
Total paid/payable to the consultants engaged	**3**	**145**	5	140

7. Depreciation and amortisation expense

	2009	2008
Depreciation:	**$'000**	$'000
Plant and equipment	**207**	225
Total depreciation	**207**	225
Amortisation:		
Leasehold improvements	**83**	83
Intangible assets	**20**	23
Total amortisation	**103**	106
Total depreciation and amortisation expense	**310**	331

8. Other expenses

Bad debts	**54**	47

9. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

Statutory interest account	**1 698**	1 796
Interest on legal practitioners trust accounts	**1 944**	2 584
Legal Practitioners Guarantee Fund	**209**	5
	3 851	4 385

10. Costs recovered and contributions

Costs recovered	**145**	77
Contributions*	**395**	223
	540	300

* In addition, contributions of $541 000 ($552 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income

Other income from entities external to the SA Government	**286**	187
Other income from entities within the SA Government	**109**	137
	395	324

12. Commonwealth Government

A Commonwealth Government Legal Assistance Agreement was entered into between the Commonwealth and State Governments for the provision of legal assistance. The agreement was effective from 1 July 2004. Pursuant to that Agreement:

- the Commonwealth contributed $13 million ($12.7 million) in service payments in 2008-09. As at 30 June 2009, $7.5 million ($8.1 million) is yet to be expended. $1.1 million ($1.4 million) of this amount is committed to Commonwealth legal cases which is yet to be finalised as at 30 June 2009 as disclosed at Note 22
- the Commonwealth also contributed $336 000 ($329 000) for the provision of Primary Dispute Resolution Services, $336 000 ($329 000) for the provision of Family Law Duty Lawyer Services and $84 000 ($282 000) for the provision of legal assistance in Child Support Stage One carer-parent matters. With the exception of Stage One carer-parent matters funding, which is an agreed amount for each year to 2008-09, all other funding will be indexed each year by the factor used in the Australian Government annual budget process
- the Commonwealth allows up to 25 percent of Commonwealth revenue to be held by the Commission as an allowed surplus in a financial year. Reserves exceeding this level may be returned to the Commonwealth Government
- the Commission entered into an agreement with the Commonwealth of Australia to provide services for the Immigration Advice and Application Assistance Scheme (IAAAS).

13. State Government

In 2008-09 the State Government contributed funding of $14.5 million ($13.7 million).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided $289 000 ($472 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables

	2009	2008
	$'000	$'000
Legal Practitioners Act debtors	**690**	1 076
GST	**292**	279
Client debtors and other debtors	**135**	190
Total current receivables	**1 117**	1 545

15. Other current assets

Prepayments	**218**	177

16. Property, plant and equipment

	2009		2008	
	$'000	**$'000**	$'000	$'000
Leasehold improvements at fair value	**834**		834	
Accumulated depreciation	**(457)**		(374)	
		377		460
Plant and equipment at fair value	**1 508**		1 265	
Accumulated depreciation	**(1 072)**		(865)	
		436		400
Library		**291**		291
Total property, plant and equipment		**1 104**		1 151

Valuation of library

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes, etc. The revaluation was undertaken by the Australian Valuation Office, which valued the library at $291 000.

16.1 Intangible assets

	2009	2008
	$'000	$'000
Computer software	**83**	83
Accumulated amortisation	**(73)**	(53)
Total intangible assets	**10**	30

16.2 Reconciliation of non-current assets

2009	**Leasehold improve-ments $'000**	**Plant and equipment $'000**	**Library $'000**	**Total property, plant and equipment $'000**	**Other computer software $'000**	**Total intangible assets $'000**
Balance at 1 July	**834**	**1 265**	**291**	**2 390**	**83**	**83**
Additions	**-**	**243**	**-**	**243**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June	**834**	**1 508**	**291**	**2 633**	**83**	**83**
Accumulated depreciation:						
Balance at 1 July	**374**	**865**	**-**	**1 239**	**53**	**53**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**83**	**207**	**-**	**290**	**20**	**20**
Balance at 30 June	**457**	**1 072**	**-**	**1 529**	**73**	**73**
Net book value:						
As at 30 June 2008	460	400	291	1 151	30	30
As at 30 June 2009	**377**	**436**	**291**	**1 104**	**10**	**10**

17. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2009	2008
	$'000	$'000
Statutory charge debtors	**4 181**	3 731

18. Payables

	2009	2008
	$'000	$'000
Current:		
Creditors	**165**	165
Accrued expenses	**44**	41
Employment on-costs	**182**	162
Total current payables	**391**	368
Non-current:		
Employment on-costs	**186**	165
Total non-current payables	**186**	165
Total payables	**577**	533

19. Employee benefits

	2009	2008
Current:		
Annual leave	**801**	751
Accrued salaries and wages	**339**	276
Long service leave	**247**	86
Total current employee benefits	**1 387**	1 113
Non-current:		
Long service leave	**2 362**	2 271
Total non-current employee benefits	**2 362**	2 271
Total employee benefits	**3 749**	3 384

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008-09 is $1.6 million and $2.5 million respectively.

20. Other reserves

	2009	2008
Movements during the year were:		
Commonwealth expensive case reserve:		
Balance at 1 July	**100**	100
Transfer to retained earnings	**-**	-
Balance at 30 June	**100**	100
State Legal Assistance Scheme reserve:		
Balance at 1 July	**228**	242
Transfer to retained earnings	**-**	(14)
Balance at 30 June	**228**	228
Total other reserves	**328**	328

Commonwealth expensive cases

The Commission did not use the Commonwealth Expensive Case allocation in 2008-09.

State Legal Assistance Scheme

During the 2008-09 financial year, the Commission did not utilise funds in the State Legal Assistance Scheme on State matters pursuant to a policy approved by Commissioners and the Law Society of SA, which includes specific conditions ($14 000).

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2009	2008
	$'000	$'000
Deposits at call - SAFA	**15 461**	15 425
Cash and cash equivalents	**569**	36
Cash and cash equivalents as recorded in the Statement of Financial Position	**16 030**	15 461
Cash and cash equivalents as recorded in the Statement of Cash Flows	**16 030**	15 461

Reconciliation of net cash provided by operating activities to net cost of providing services

	2009	2008
Net cost of providing services	**(28 612)**	(26 118)
Revenues provided by government	**28 547**	27 884
Add (Less): Non-cash items:		
Depreciation and amortisation	**310**	331
Bad debts	**54**	47
Changes in assets/liabilities:		
Increase in statutory charge debtors	**(497)**	(336)
Decrease in receivables	**423**	27
Increase in prepayments	**(41)**	(109)
Increase in employee provisions	**364**	180
Increase in payables	**17**	96
Increase in legal payables	**221**	101
Net cash provided by operating activities	**786**	2 103

22. Legal expense commitments

As at 30 June 2009, the Commission has a future commitment of $4.5 million ($4.2 million) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Legal expense commitments	**1 114**	1 367	**3 419**	2 809

In addition the Commission has a future commitment of $120 000 ($74 000) on State Expensive cases which will be funded separately.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 27.12 percent Commonwealth and 29.63 percent State would be recognised on all outstanding amounts raised since January 2008 (ie the previous 18 months). Commitments raised prior to this date have been dismissed. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

23. Commitments for expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2009	2008
Operating lease commitments:	**$'000**	$'000
Not later than one year	**416**	254
Later than one year but not later than five years	**1 087**	808
Total operating lease commitments	**1 503**	1 062
Remuneration commitments:		
Not later than one year	**2 999**	2 551
Later than one year but not later than five years	**2 461**	2 163
Total remuneration commitments	**5 460**	4 714

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

24. Related party disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman)
Ms Elizabeth Ahern
Mr Michael Burgess
Mr Michael Dawson reappointed 15 February 2009
Ms Rosemary Davey resigned 20 July 2008
Mr Hugh Gilmore
Mr David Mazzone
Mr David Myer
Ms Tracee Micallef appointed 6 November 2008
Ms Wendy Purcell reappointed 15 February 2009
Ms Maurine Pyke, QC

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:	**2009 Number**	2008 Number
$nil	**1**	1
$1 - $10 000	**2**	9
$10 001 - $20 000	**7**	1
$20 001 - $30 000	**1**	-
Total	**11**	11

The total remuneration received or due and receivable by these members was $117 000 ($87 000).

Amounts paid to a superannuation plan for members was $10 000 ($7000)

25. Contingent liabilities

At balance date and at the date of certification of the financial statements by the Commission there was no known contingent liability. However, legal expense commitments existed as disclosed at Note 22.

THE LEGISLATURE

FUNCTIONAL RESPONSIBILITY

Establishment

The Legislature for the purposes of this Report comprises the:

- House of Assembly established under the *Constitution Act 1934*
- Legislative Council established under the *Constitution Act 1934*
- Joint Parliamentary Service established under the *Parliament (Joint Services) Act 1985.*

Functions

The House of Assembly and the Legislative Council constitute the Parliament of South Australia. The main purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

The House of Assembly consists of 47 Members. The Legislative Council consists of 22 Members. The Members are elected by the inhabitants of the State legally qualified to vote.

The Joint Parliamentary Service provides services to Parliament including Hansard reporting, library facilities, catering, financial administration and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

STATUS OF THE FINANCIAL STATEMENTS

The financial statements of the Legislature for the year ended 30 June 2009 were not finalised in sufficient time by the Legislature to enable the audit to be completed at the date of finalising this Report.

The audited financial statements of the Legislature for the year ended 30 June 2009 will be included in a Supplementary Audit Report to Parliament.

LIBRARIES BOARD OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Libraries Board of South Australia (the Board) is established pursuant to the *Libraries Act 1982* and is responsible for the administration of the State Library and the public libraries system. For details of the Board's functions refer to Note 1 of the financial statements.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 18(2) of the *Libraries Act 1982* provides for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of controls

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

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

Scope of Audit

The audit program covered major financial systems 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 2008-09, specific areas of audit attention included:

- expenditure, including accounts payable and salaries and wages
- revenue, including cash receipting and banking
- subsidy payments to public libraries
- budgetary control and financial management reporting
- property, plant and equipment.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Libraries Board of South Australia as at 30 June 2009, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the Libraries Board of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter regarding the implementation of the revised TIs 2 and 28, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Libraries Board of South Australia 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 Director of the State Library and a satisfactory response was received. Matters raised included the need to establish and update policies and procedures in a number of business areas consistent with TI 2 requirements, and to improve controls in the system used to purchase library materials for public libraries. The matter of appropriately addressing the requirements of TI 28 relating to the implementation of a financial management compliance program was also raised

Implementation of the revised TIs 2 and 28

The Board has not established any formal processes to ensure compliance with TIs 2 and 28. Audit has recommended that the Board consult with the Department of the Premier and Cabinet, which provides business services support, with a view to seeking assistance to ensure compliance with TIs 2 and 28.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

	2009	2008
	$'million	$'million
EXPENSES		
Staff benefits	**11**	11
Subsidies to public libraries	**12**	12
Other expenses	**10**	11
Total expenses	**33**	34
INCOME		
Government grants	**29**	30
Other income	**3**	4
Total income	**32**	34
Net result	**(1)**	-
OTHER COMPREHENSIVE INCOME		
Net increment on asset revaluation	**-**	9
Total comprehensive result	**(1)**	9
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1**	1
ASSETS		
Current assets	**4**	4
Non-current assets	**109**	111
Total assets	**113**	115
LIABILITIES		
Current liabilities	**2**	2
Non-current liabilities	**2**	3
Total liabilities	**4**	5
EQUITY	**109**	110

Statement of Comprehensive Income

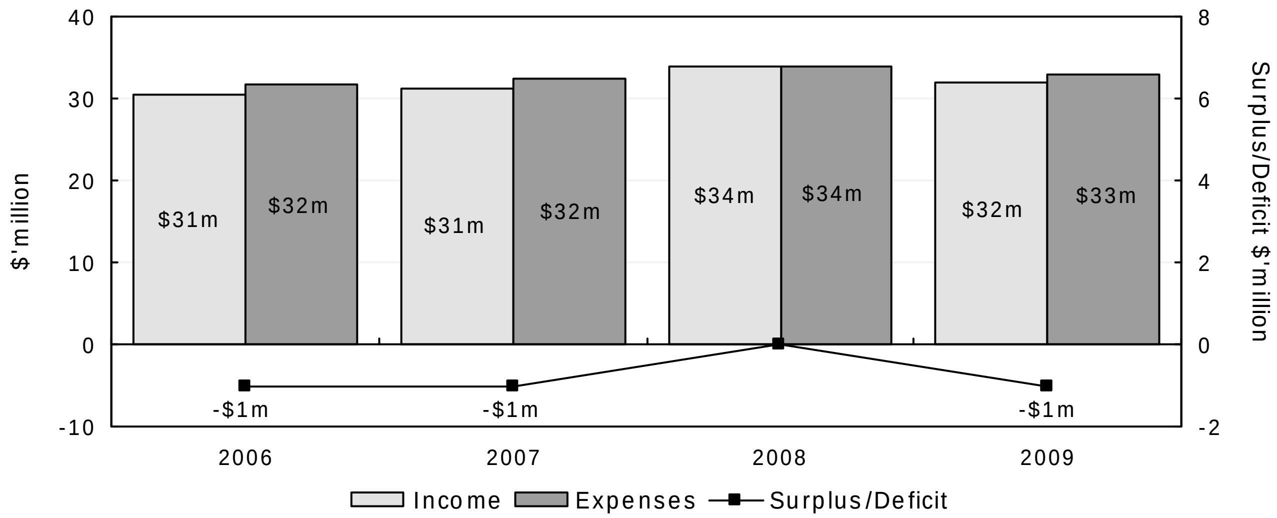
Expenses decreased by $1 million to $32.5 million and income from operations decreased by $1.1 million to $2.6 million.

Both reductions in expenses and income reflect mainly a program conducted in 2007-08 that was not ongoing in 2008-09. In 2007-08, the Board conducted on behalf of the Department of Education and Children's Services, a book club program for child care centres. Expenses and revenue recoveries relating to the 2007-08 program were in the order of $900 000.

The income of the Board in 2008-09 was also affected by reduced interest and investment income of $285 000 as a consequence of the depressed worldwide financial market conditions.

Net result

The following chart shows income, expenses and deficits/surpluses for the four years to 2009.



Statement of Financial Position

The total assets of the Libraries Board at 30 June 2009 are $113.2 million ($115 million), of which $56.4 million (50 percent) relates to the Board's property, plant and equipment and $46 million (41 percent) relates to the research and heritage collections.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2009.

	2009	2008	2007	2006
	$'million	$'million	$'million	$'million
Net cash flows				
Operating	**1**	1	2	1
Investing	**(1)**	(1)	(1)	(2)
Financing	**-**	-	-	-
Change in cash	**-**	-	1	(1)
Cash at 30 June	**4**	4	4	3

The analysis of cash flows shows that there has been relatively no movement in the cash position over the last four years.

Statement of Comprehensive Income
for the year ended 30 June 2009

	Note	**2009 $'000**	2008 $'000
EXPENSES:			
Staff benefits	5	**10 967**	11 377
Supplies and services	7	**5 302**	6 583
Accommodation and facilities	8	**2 156**	1 786
Subsidies to public libraries		**11 948**	11 406
Depreciation and amortisation	9	**2 491**	1 994
Net loss from disposal of non-current assets	10	**171**	405
Total expenses		**33 035**	33 551
INCOME:			
Fees and charges	11	**770**	1 646
Donations		**229**	84
Council contributions		**93**	124
Rent and facilities hire		**271**	237
Resources received free of charge	12	**416**	499
Interest and investment income	13	**581**	866
Other	14	**237**	252
Total income		**2 597**	3 708
NET COST OF PROVIDING SERVICES		**30 438**	29 843
REVENUES FROM SA GOVERNMENT:			
Recurrent operating grant		**29 046**	29 047
Capital grant		**6**	565
Total revenues from SA Government		**29 052**	29 612
NET RESULT		**(1 386)**	(231)
OTHER COMPREHENSIVE INCOME:			
Net increment on asset revaluation		**-**	9 045
TOTAL COMPREHENSIVE RESULT		**(1 386)**	8 814

Net result and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2009

	Note	**2009** **$'000**	2008 $'000
CURRENT ASSETS:			
Cash	27	**4 022**	3 702
Receivables	16	**321**	278
Total current assets		**4 343**	3 980
NON-CURRENT ASSETS:			
Investments	17	**6 492**	7 228
Property, plant and equipment	18	**56 373**	58 531
Intangible assets	19	**4**	9
Research and heritage collections	20	**46 013**	45 232
Total non-current assets		**108 882**	111 000
Total assets		**113 225**	114 980
CURRENT LIABILITIES:			
Payables	21	**680**	920
Staff benefits	22	**1 157**	1 160
Provisions	23	**62**	74
Total current liabilities		**1 899**	2 154
NON-CURRENT LIABILITIES:			
Payables	21	**199**	196
Staff benefits	22	**2 003**	2 106
Provisions	23	**177**	191
Other	24	**10**	10
Total non-current liabilities		**2 389**	2 503
Total liabilities		**4 288**	4 657
NET ASSETS		**108 937**	110 323
EQUITY:			
Retained earnings		**91 797**	93 183
Asset revaluation reserve		**17 140**	17 140
TOTAL EQUITY		**108 937**	110 323

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	25
Contingent assets and liabilities	26

Statement of Changes in Equity
for the year ended 30 June 2009

	Asset revaluation reserve $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2007	8 223	93 286	101 509
Net result for 2007-08	-	(231)	(231)
Gain on revaluation of land during 2007-08	2 265	-	2 265
Gain on revaluation of buildings during 2007-08	6 780	-	6 780
Derecognition of other assets during 2007-08	(128)	128	-
Total comprehensive result for 2007-08	8 917	(103)	8 814
Balance at 30 June 2008	17 140	93 183	110 323
Net result for 2008-09	-	(1 386)	(1 386)
Total comprehensive result for 2008-09	-	(1 386)	(1 386)
Balance at 30 June 2009	**17 140**	**91 797**	**108 937**

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

Statement of Cash Flows for the year ended 30 June 2009

		2009 Inflows (Outflows)	2008 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Staff benefits		**(11 098)**	(11 126)
Supplies and services		**(5 113)**	(5 916)
Accommodation and facilities		**(2 061)**	(1 897)
Subsidies to public libraries		**(12 059)**	(11 521)
Cash used in operations		**(30 331)**	(30 460)
CASH INFLOWS:			
Fees and charges		**717**	680
Donations		**186**	46
Council contributions		**93**	124
Rent and facilities hire		**275**	258
Interest and investment income		**574**	673
Other		**241**	229
Cash generated from operations		**2 086**	2 010
CASH FLOWS FROM SA GOVERNMENT:			
Recurrent operating grant		**29 046**	29 047
Capital grant		**6**	565
Cash generated from SA Government		**29 052**	29 612
Net cash provided by operating activities	27	**807**	1 162
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of investments		**(2 977)**	(589)
Purchase of property, plant and equipment		**(328)**	(699)
Purchase of heritage collections		**(728)**	(718)
Cash used in investing activities		**(4 033)**	(2 006)
CASH INFLOWS:			
Proceeds from the sale/maturity of investments		**3 546**	773
Cash generated from investing activities		**3 546**	773
Net cash used in investing activities		**(487)**	(1 233)
NET INCREASE (DECREASE) IN CASH		**320**	(71)
CASH AT 1 JULY		**3 702**	3 773
CASH AT 30 JUNE	27	**4 022**	3 702

Disaggregated Disclosures - Expenses and Income
for the year ended 30 June 2009

(Activities - refer Note 4)	2009 1	2009 2	2009 Total	2008 1	2008 2	2008 Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
EXPENSES:						
Staff benefits	**9 275**	**1 692**	**10 967**	9 793	1 584	11 377
Supplies and services	**2 004**	**3 298**	**5 302**	2 922	3 661	6 583
Accommodation and facilities	**2 017**	**139**	**2 156**	1 655	131	1 786
Subsidies to public libraries	**-**	**11 948**	**11 948**	-	11 406	11 406
Depreciation and amortisation	**2 217**	**274**	**2 491**	1 884	110	1 994
Loss from disposal of assets	**167**	**4**	**171**	-	475	475
Total expenses	**15 680**	**17 355**	**33 035**	16 254	17 367	33 621
INCOME:						
Fees and charges	**753**	**17**	**770**	728	918	1 646
Donations	**229**	**-**	**229**	84	-	84
Council contributions	**-**	**93**	**93**	-	124	124
Rent and facilities hire	**271**	**-**	**271**	237	-	237
Resources received free of charge	**383**	**33**	**416**	454	45	499
Gain on sale of assets	**-**	**-**	**-**	70	-	70
Interest and investment income	**462**	**119**	**581**	678	188	866
Other	**147**	**90**	**237**	191	61	252
Total income	**2 245**	**352**	**2 597**	2 442	1 336	3 778
NET COST OF PROVIDING SERVICES	**(13 435)**	**(17 003)**	**(30 438)**	(13 812)	(16 031)	(29 843)
REVENUES FROM SA GOVERNMENT:						
Recurrent operating grant	**12 187**	**16 859**	**29 046**	12 680	16 367	29 047
Capital grant	**6**	**-**	**6**	565	-	565
Total revenues from SA Government	**12 193**	**16 859**	**29 052**	13 245	16 367	29 612
NET RESULT	**(1 242)**	**(144)**	**(1 386)**	(567)	336	(231)

Disaggregated Disclosures - Assets and Liabilities
as at 30 June 2009

(Activities - refer Note 4)	2009 1	2009 2	2009 Total	2008 1	2008 2	2008 Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
ASSETS:						
Assets	**109 154**	**4 071**	**113 225**	110 443	4 537	114 980
Total assets	**109 154**	**4 071**	**113 225**	110 443	4 537	114 980
LIABILITIES:						
Liabilities	**3 421**	**867**	**4 288**	3 468	1 189	4 657
Total liabilities	**3 421**	**867**	**4 288**	3 468	1 189	4 657

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Libraries Board

The functions of the Libraries Board (the Board), as prescribed under the *Libraries Act 1982,* include:

- formulate policies and guidelines for the provision of public library services
- establish, maintain and expand collections of library materials
- administer the State Library
- promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2. Summary of significant accounting policies

2.1 Statement of compliance

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

Except for the amendments to AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101), which the Board has early-adopted, AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ended 30 June 2009. These are outlined in Note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement 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 the financial statements:

  (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date and greater than $100 000 are separately identified and classified according to their nature.

  (b) Expenses incurred as a result of engaging consultants.

  (c) Staff TVSP 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.

  (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 Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented for the year ended 30 June 2008.

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, rent, venue hire, investments, donations, bequests 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 Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

2.4 Income and expenses (continued)

Income from fees and charges is derived from the provision of goods and services to the public and to other government agencies. This income is recognised upon the delivery of the goods or services to customers. Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Government grants and Council contributions are recognised as income in the period in which the Board obtains control over the grants and contributions.

Subsidies to public libraries

Public Library Services receives contributions from Councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under subsidies to public libraries in the Statement of Comprehensive Income. The total amount received from Councils for the year was $93 000 ($124 000).

Resources received free of charge

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income 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 Board's research and 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 expenditure in 'Supplies and services' (refer Note 7).

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' (refer Note 7).

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

Cash in the Statement of Financial Position includes cash at bank and on hand. For the purposes of the Statement of Cash Flows, cash is defined above.

Cash is measured at nominal value.

Trust Accounts

Public Library Services hold subsidy payments in trust for the Outback Areas Community Development Trust and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are recorded in the cash balance as at 30 June 2009. The total of these trust accounts is $118 000 ($92 000).

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 uncollectable 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 Investments

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

2.9 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 tangible 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.

2.10 Valuation 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.

2.10 Valuation of non-current assets (continued)

Land and buildings are revalued every three years, and heritage collections are revalued every five years. Previously, heritage collections were revalued every three years, but in 2008-09 the Board's Asset Management Policy was revised, and the revaluation period for heritage collections was changed from three to five years. 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 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 decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the increase is recognised as income in the Statement of Comprehensive Income.

Any revaluation decrement is recognised as an expense in the Statement of Comprehensive Income, 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 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 (AVO). The valuation at 30 June 2008 was prepared on a fair value basis.

Plant and equipment

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

Public Library Services collections

The Public Library Services collections, consisting of video and print disability collections were revalued according to fair value methodology as at 30 June 2006 by D Hope, Principal Consultant, Skilmar Systems Pty Ltd.

The revaluation was made on the basis of the average cost of items added to the collection during the 2005-06 financial year including the cost of acquisition and then depreciated, based on the age of the item.

Items in the Public Library collection are disposed of for no consideration at the end of their useful life to public libraries and similar institutions. On this basis, no residual value is placed on those assets. The film collection was valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

Research and heritage collections

The Board's research and heritage collections were revalued as at 30 June 2006 using the valuation methodology outlined below.

The State Library of South Australia appointed Graeme Addicott, Regional Manager of the AVO to undertake the valuation of the Library's collections as at 30 June 2006. The AVO was responsible for the review of valuations undertaken by State Library staff specialists and to perform valuations where external expertise was required.

Internal valuations were carried out by staff specialists in their related fields. The valuations were based on knowledge of the particular collections, an understanding of the valuation techniques and the markets that exist for the collection items. The AVO undertook testing and confirmation of internal valuations.

The fair value applied is represented by the quoted market price in an active and liquid market, where available, or is estimated by reference to the best available market evidence of the price such as current market prices for assets that are similar in use, type and condition or the price of the most recent transaction for the same or a similar asset. Where no market exists or market prices materially differ, the fair value is determined with reference to the asset's market buying price indicated by the replacement cost of the asset's remaining future economic benefits.

Research collections were valued using the linear method of valuation by State Library staff. This method is based on an average cost per volume applied to the size of the collection. This methodology was reviewed and confirmed by the AVO. Selected heritage collections were valued by an external valuer on a market value basis, with significant and unique objects being valued individually.

Sampling techniques were used to value other less significant elements of the heritage collection with valuations done by both the State Library staff and the AVO.

Research and heritage collections (continued)
Additional external valuations were carried out by the following recognised industry experts:

Rare books	J Burdon
Framed works	D Hyles

Research and heritage collections which have been valued are the rare books and some named collections, maps, microfilm serials, monographs, electronic resources, family history collections, periodicals, newspapers purchased and Mortlock use collections.

A nil valuation was adopted for a number of unique or irreplaceable heritage collections where there is no applicable replacement or reliable market value, or where the materials have been acquired largely through the legal deposit provisions of the *Libraries Act 1982*.

The Mortlock South Australiana collections are recognised at nil value as they have been considered to be unique and not capable of reliable measurement. Collections which were not valued were the Mortlock archival collections, Mortlock published collections, Mortlock special collections and some unpublished named and special collections.

2.11 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.

2.12 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, research 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:

Class of asset	*Useful life (years)*
Buildings and improvements	Useful life depends on individual asset item
Plant and equipment	5-20
Computer equipment	3-5
Print disability collections	8
Compactus and lifts	30

The research and heritage collections are kept under special conditions to minimise 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. The public library collection has been depreciated as indicated above.

2.13 Payables

Payables include creditors, accrued expenses and staff 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 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.

Staff 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 Staff benefits

These benefits accrue for staff as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term 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 staff is estimated to be less than the annual entitlement of sick leave.

(i) Salaries, wages and annual leave
Liabilities for salaries, wages and annual leave have been recognised as the amount unpaid at the reporting date at remuneration rates current 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 a staff member 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 staff retention and leave taken.

(iii) *On-costs*
Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

(iv) *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 the schemes operated by the State Government, in the whole-of-government financial statements.

2.15 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 Relations Division of the Department of the Premier and Cabinet.

2.16 Leases
The Board has entered into a number of operating lease agreements for accommodation, vehicles and office equipment 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 Statement of Comprehensive Income in the periods in which they are incurred.

2.17 Comparative information
The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early adoption of AASB 101 and specific revised AASs and APSs.

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required eg preparation of a single Statement of Comprehensive Income.

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

2.18 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 Statement of Financial Position 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 Statement of Cash Flows.

2.19 State Government funding
The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

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

2.21 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.

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. New and revised accounting standards
Details of the impact, where significant, on the Board's financial statements from new and amended AASs that are applicable for the first time in 2008-09 are detailed below.

The Board has early-adopted the September 2007 version of AASB 101 including AASB 2007-8 and AASB 2007-10 (these standards make consequential amendments to other standards as a result of the revised AASB 101) - this includes the preparation of a single Statement of Comprehensive Income.

Issued or amended but not yet effective

Except for the amendments to AASB 101, which the Board has early-adopted, the AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2009. The Board has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

4. Activities of the Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2009 is summarised below (refer to the Disaggregated Disclosures Schedules – Expenses and Income and Assets and Liabilities).

Activity 1: Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2: Support of Public Library Services

To provide through Public Library Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

5. Staff benefits

	2009	2008
	$'000	$'000
Salaries and wages	**8 956**	9 195
Superannuation	**1 044**	1 017
Payroll tax	**506**	553
Annual leave	**(19)**	4
Long service leave	**222**	366
Board fees	**118**	85
Other staff related expenses	**140**	157
Total staff benefits	**10 967**	11 377

Remuneration of staff	**2009**	2008
The number of staff whose remuneration received or receivable falls within the following bands:	**Number**	Number
$100 000 - $109 999	**1**	-
$130 000 - $139 999	**-**	2
$140 000 - $149 999	**2**	-
$170 000 - $179 999	**1**	1
Total number of staff	**4**	3

The table includes all staff who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these staff members for the year was $576 000 ($448 000).

TVSPs

There were no TVSPs paid to staff in 2008-09 or 2007-08.

6. Remuneration of Board members

Members that were entitled to receive remuneration for membership during the 2008-09 financial year were:

Libraries Board

Dr P Goldsworthy
Mr P J Myhill
Mr G E Coles
Ms A Short
Mrs F Adler
Ms B S Davidson-Park
Mr J Mc Donnell
Mrs J Nitschke
Ms H Nichols

The number of Board members whose remuneration received or receivable falls within the following bands:	**2009** **Number**	2008 Number
$0 - $9 999	**-**	2
$10 000 - $19 999	**8**	8
$20 000 - $29 999	**1**	-
Total number of board members	**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 $130 000 ($96 000).

Amounts paid to a superannuation plan for Board members were $11 000 ($8000).

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.

7. Supplies and services

	2009	2008
Supplies and services provided by entities external to the SA Government:	**$'000**	$'000
Administration expenses	**546**	540
Preservation activities	**116**	146
Reference materials	**163**	124
Conservation	**4**	7
Consultants' fees	**36**	47
Contractors' fees	**94**	68
Entertainment	**5**	4
Communications	**1 083**	929
Information technology	**425**	489
Maintenance	**148**	204
Marketing and promotion	**252**	261
Materials	**37**	898
Minor equipment purchases and leasing	**167**	567
Operating lease expenditure	**386**	391
P2 enhancements	**152**	82
Travel and accommodation	**86**	72
Projects	**18**	78
Other	**390**	365
Total supplies and services - non-SA Government entities	**4 108**	5 272
Supplies and services provided by entities within the SA Government:		
Administration expenses	**50**	50
Business services charge	**212**	306
Artlab conservation	**204**	194
EDS charges	**246**	223
Insurance and risk management	**162**	163
Communications	**1**	21
Information technology	**95**	85
Maintenance	**137**	138
Motor vehicle expenses	**34**	34
Other	**53**	97
Total supplies and services - SA Government entities	**1 194**	1 311
Total supplies and services	**5 302**	6 583

Payments to consultants

The number and dollar amount of consultancies paid/payable that fell within the following bands:	**2009 Number**	**2009 $'000**	2008 Number	2008 $'000
Below $10 000	**2**	**8**	2	9
Between $10 000 - $50 000	**2**	**28**	1	38
Above $50 000	**-**	**-**	-	-
Total paid/payable to the consultants engaged	**4**	**36**	3	47

8. Accommodation and facilities

	2009	2008
Accommodation and facilities provided by entities external to the SA Government:	**$'000**	$'000
Accommodation	**693**	526
Facilities	**261**	258
Securities	**442**	365
Total accommodation and facilities - non-SA Government entities	**1 396**	1 149
Accommodation and facilities provided by entities within the SA Government:		
Accommodation	**226**	217
Facilities	**533**	419
Security	**1**	1
Total accommodation and facilities - SA Government entities	**760**	637
Total accommodation and facilities	**2 156**	1 786

9. Depreciation and amortisation

Buildings and improvements	**1 835**	1 551
Compactus and lifts	**77**	78
Plant and equipment	**151**	162
Computer equipment	**179**	103
Intangibles	**5**	5
Public library research collections	**244**	95
Total depreciation and amortisation	**2 491**	1 994

10. Net loss from the disposal of non-assets

	2009	2008
Public library collections:	$'000	$'000
Proceeds from disposal	-	-
Net book value of assets disposed	(4)	(475)
Net loss from disposal of plant and equipment	**(4)**	(475)
Investments:		
Proceeds from the sale of investments	3 546	760
Net book value of investments	(3 713)	(690)
Net (loss) gain on sale of investments	**(167)**	70
Total assets:		
Total proceeds from disposal	3 546	760
Total net book value of assets disposed	(3 717)	(1 165)
Total net loss from disposal of non-current assets	**(171)**	(405)

11. Fees and charges

	2009	2008
Fees and charges received/receivable from entities external to the SA Government:		
Fees for services	36	14
Microfilming services	183	225
Photocopying services	63	102
Other fees and charges	216	104
Total fees and charges - non-SA Government entities	**498**	445
Fees and charges received/receivable from entities within the SA Government:		
Fees for services	268	291
Recoveries	-	893
Other fees and charges	4	17
Total fees and charges - SA Government entities	**272**	1 201
Total fees and charges	**770**	1 646

12. Resources received free of charge

	2009	2008
Resources received free of charge from entities within the SA Government:		
Conservation services	203	193
Business services	213	306
Total resources received free of charge	**416**	499

13. Interest and investment income

	2009	2008
Interest from entities within the SA Government	241	347
Investment income from entities external to the SA Government	340	519
Total interest and investment income	**581**	866

14. Other income

	2009	2008
Other income received/receivable from entities external to the SA Government:		
Sponsorships	-	57
Salary recoups	71	42
Other receipts	135	132
Total other income - non-SA Government entities	**206**	231
Other income received/receivable from entities within the SA Government:		
Salary recoups	29	18
Other receipts	2	3
Total other income - SA Government entities	**31**	21
Total other income	**237**	252

15. Auditor's remuneration

	2009	2008
Audit fees paid/payable to the Auditor-General's Department:		
State Library of South Australia	29	27
Support of Public Library Services	10	9
Total audit fees - SA Government entities	**39**	36

Other services

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

16. Receivables

	2009	2008
Current:		
Receivables	199	164
Accrued income	122	114
Total receivables	**321**	278

16. Receivables

	2009	2008
Receivables from non-SA Government entities:	**$'000**	$'000
Receivables	**98**	115
Accrued income	**110**	91
Total receivables - non-SA Government entities	**208**	206
Receivables from SA Government entities:		
Receivables	**102**	49
Accrued income	**11**	23
Total receivables - SA Government entities	**113**	72
Total receivables	**321**	278

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.

(a) Maturity analysis of receivables - refer to Note 28.3
(b) Categorisation of financial instruments and risk exposure information - refer Note 28.

17. Investments

	2009	2008
Investments with entities other than SAFA:	**$'000**	$'000
Unit trusts	**-**	3 713
Direct investments	**6 492**	3 515
Total investments	**6 492**	7 228

The market value of the direct investments as at 30 June 2009 was $5.6 million ($3.5 million).

18. Property, plant and equipment

Land, buildings and improvements:		
Land at valuation	**7 900**	7 900
Buildings and improvements at valuation	**67 418**	67 418
Accumulated depreciation	**(21 932)**	(20 097)
Total land, buildings and improvements	**53 386**	55 221
Work in progress:		
Work in progress at cost	**112**	-
Total work in progress	**112**	-
Compactus and lifts:		
Compactus and lifts at cost (deemed fair value)	**2 322**	2 322
Accumulated depreciation	**(463)**	(386)
Total compactus and lifts	**1 859**	1 936
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	**1 749**	1 726
Accumulated depreciation	**(1 223)**	(1 085)
Total plant and equipment	**526**	641
Computer equipment:		
Computer equipment at cost (deemed fair value)	**809**	758
Accumulated depreciation	**(531)**	(357)
Total computer equipment	**278**	401
Public library collections:		
Public library collections at valuation	**2 224**	2 648
Public library collections at cost	**295**	166
Accumulated depreciation	**(2 307)**	(2 482)
Total public library collections	**212**	332
Total property, plant and equipment	**56 373**	58 531

Valuation of non-current assets

The valuation of land, buildings and improvements was performed by the AVO as at 30 June 2008. The valuation of the public library collections was performed by Skilmar Systems Pty Ltd as at 30 June 2006.

Reconciliation of non-current assets

The following table shows the movement of non-current assets during 2008-09.

2009	**Land $'000**	**Buildings and improvements $'000**	**Works in progress $'000**	**Compactus and lifts $'000**	**Plant and equipment $'000**
Carrying amount at 1 July	**7 900**	**47 321**	**-**	**1 936**	**641**
Additions	**-**	**-**	**112**	**-**	**36**
Disposals	**-**	**-**	**-**	**-**	**-**
Depreciation	**-**	**(1 835)**	**-**	**(77)**	**(151)**
Carrying amount at 30 June	**7 900**	**45 486**	**112**	**1 859**	**526**

	Computer equipment $'000	**Public library collections $'000**	**Tangible assets total $'000**	**Computer software $'000**	**Intangible assets total $'000**
Carrying amount at 1 July	**401**	**332**	**58 531**	**9**	**9**
Additions	**56**	**128**	**332**	**-**	**-**
Disposals	**-**	**(4)**	**(4)**	**-**	**-**
Depreciation	**(179)**	**(244)**	**(2 486)**	**(5)**	**(5)**
Carrying amount at 30 June	**278**	**212**	**56 373**	**4**	**4**

19. Intangible assets

	2009 $'000	2008 $'000
Intangibles:		
Computer software	**14**	14
Accumulated amortisation	**(10)**	(5)
Total intangibles	**4**	9

20. Research and heritage collections

	2009			2008		
	At valuation $'000	**At cost $'000**	**Total $'000**	At valuation $'000	At cost $'000	Total $'000
Rare books and named collections	**19 173**	**73**	**19 246**	19 173	51	19 224
Maps	**1 197**	**22**	**1 219**	1 197	20	1 217
Mortlock audio-visual	**84**	**25**	**109**	84	11	95
Microfilm serials	**1 519**	**111**	**1 630**	1 519	72	1 591
Monographs	**16 609**	**585**	**17 194**	16 609	393	17 002
Electronic resources	**5**	**560**	**565**	5	340	345
Family history collection	**124**	**10**	**134**	124	8	132
Periodicals	**4 125**	**540**	**4 665**	4 125	383	4 508
Newspapers purchased	**781**	**305**	**1 086**	781	197	978
Mortlock use collections	**90**	**52**	**142**	90	28	118
Private archives	**-**	**23**	**23**	-	22	22
Total research and heritage collections	**43 707**	**2 306**	**46 013**	43 707	1 525	45 232

The valuation of the research and heritage collections was performed by the AVO as at 30 June 2006.

Reconciliation of carrying amounts of research and heritage collections

	Balance 01.07.08 $'000	Additions $'000	**Balance 30.06.09 $'000**	Balance 01.07.07 $'000	Additions $'000	Balance 30.06.08 $'000
Rare books and named collections	19 224	22	**19 246**	19 199	25	19 224
Maps	1 217	1	**1 218**	1 207	10	1 217
Mortlock audio-visual	95	14	**109**	90	5	95
Microfilm serials	1 591	39	**1 630**	1 554	37	1 591
Monographs	17 002	192	**17 194**	16 791	211	17 002
Electronic resources	345	219	**564**	197	148	345
Family history collection	132	2	**134**	128	4	132
Periodicals	4 508	157	**4 665**	4 326	182	4 508
Newspapers purchased	978	108	**1 086**	872	106	978
Mortlock use collections	118	24	**142**	102	16	118
Private archives	22	3	**25**	1	21	22
Total carrying amounts of research and heritage collections	45 232	781	**46 013**	44 467	765	45 232

21. Payables

	2009	2008
Current:	**$'000**	$'000
Creditors and accruals	**515**	755
Staff on-costs	**165**	165
Total current payables	**680**	920
Non-current:		
Staff on-costs	**199**	196
Total non-current payables	**199**	196
Total payables	**879**	1 116
Payables to non-SA Government entities:		
Creditors and accruals	**480**	693
Total payables - non-SA Government entities	**480**	693
Payables to SA Government entities:		
Creditors and accruals	**35**	62
Staff on-costs	**364**	361
Total payables - SA Government entities	**399**	423
Total payables	**879**	1 116

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2008 rate 35 percent to 45 percent and the average factor for the calculation of employer superannuation on-cost has changed from the 2008 rate 11 percent to 10.5 percent. These rates are used in the staff on-cost calculation.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff 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 28.3.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 28.

22. *Staff benefits*

	2009	2008
Current:	**$'000**	$'000
Annual leave	**528**	561
Long service leave	**396**	392
Accrued salaries and wages	**233**	207
Total current staff benefits	**1 157**	1 160
Non-current:		
Long service leave	**2 003**	2 106
Total non-current staff benefits	**2 003**	2 106
Total staff benefits	**3 160**	3 266

The total current and non-current staff expenses (ie aggregate staff benefits plus related on-costs) for 2008-09 are $1.3 million and $2.2 million 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).

In addition, the actuarial assessment performed by the Department of Treasury and Finance also revised the salary inflation rate down by 0.5 percent from the 2008 rate of 4.5 percent.

23. Provisions

	2009	2008
Current:	**$'000**	$'000
Provision for workers compensation	**62**	74
Total current provisions	**62**	74
Non-current:		
Provision for workers compensation	**177**	191
Total non-current provisions	**177**	191
Total provisions	**239**	265
Carrying amount at 1 July	**265**	231
(Decrease) Increase in provision recognised	**(26)**	34
Carrying amount at 30 June	**239**	265

24. Other non-current liabilities

	2009	2008
Contract security deposit	**10**	10
Total other non-current liabilities	**10**	10

25. Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2009 $'000	2008 $'000
Not later than one year	**61**	112
Later than one year and not later than five years	**9**	107
Total operating lease commitments	**70**	219

The operating lease commitments comprise:

- a non-cancellable property lease with rental payable monthly in advance. A contingent rental provision within the lease agreement requires the minimum lease payment to be increased by the CPI
- 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

Public libraries commitments

Committed orders placed by public libraries through Public Libraries Services for libraries materials at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2009 $'000	2008 $'000
Not later than one year	**1 574**	1 368
Total public libraries commitments	**1 574**	1 368

Capital commitments

There were no capital commitments under contracts for 2008-09 or 2007-08 as at the reporting date.

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:

	2009 $'000	2008 $'000
Not later than one year	**308**	449
Later than one year and not later than five years	**624**	900
Total remuneration commitments	**932**	1 349

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	**507**	644
Later than one year and not later than five years	**149**	256
Total other commitments	**656**	900

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.

26. Contingent assets and liabilities

There are no known contingent assets and liabilities as at 30 June 2009.

27. Cash flow reconciliation

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2009 $'000	2008 $'000
Deposits with Treasurer	**4 014**	3 694
Cash on hand	**8**	8
Total cash and cash equivalents	**4 022**	3 702

Interest rate risk

Cash is recorded at its nominal amount. 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 'Libraries Board'. Deposits with the Treasurer are bearing a floating interest rate between 7.1 percent and 2.99 percent.

Reconciliation of net cash provided by operating activities to net cost of providing services	**2009 $'000**	2008 $'000
Net cash provided by operating activities	**807**	1 162
Revenues from SA Government	**(29 052)**	(29 612)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	**(2 486)**	(1 989)
Amortisation of intangibles	**(5)**	(5)
(Loss) Gain on redemption of investments	**(167)**	70
Loss on disposal of plant and equipment	**(4)**	(475)
Donations of heritage assets	**43**	39
Changes in assets and liabilities:		
Increase (Decrease) in receivables	**43**	(97)
Decrease in inventories	**-**	(14)
Increase in investments	**-**	324
Decrease in payables	**250**	982
Decrease (Increase) in staff benefits	**107**	(194)
Decrease (Increase) in provisions	**26**	(34)
Net cost of providing services	**(30 438)**	(29 843)

28. 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.

		2009		2008	
Financial assets	Note	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Cash and cash equivalents:					
Cash	27	**4 022**	**4 022**	3 702	3 702
Loans and receivables:					
Receivables(1)	16	**321**	**321**	278	278
Available for sale financial assets:					
Investments	17	**6 492**	**5 633**	7 228	6 986
Financial liabilities					
Financial liabilities at cost:					
Payables(1)	21	**879**	**879**	1 116	1 116
Other	24	**10**	**10**	10	10

(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 staff on-costs, which are determined via reference to the staff 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.

28.2 Ageing analysis of financial assets

	Past due by			
2009	**Overdue for less than 30 days $'000**	**Overdue for 30-60 days $'000**	**Overdue for more than 60 days $'000**	**Total $'000**
Not Impaired:				
Receivables	**309**	**1**	**11**	**321**

28.2 Ageing analysis of financial assets (continued)

	Past due by			
	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2008	$'000	$'000	$'000	$'000
Not Impaired:				
Receivables	258	19	1	278

The following table discloses the maturity analysis of financial assets and financial liabilities.

28.3 Maturity analysis of financial assets and liabilities

		Contractual maturity		
	Carrying amount	**Less than 1 year**	**1-5 years**	**More than 5 years**
2009	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets:				
Cash	**4 022**	**4 022**	**-**	**-**
Receivables	**321**	**321**	**-**	**-**
Investments	**6 492**	**-**	**-**	**6 492**
Total financial assets	**10 835**	**4 343**	**-**	**6 492**
Financial liabilities:				
Payables	**879**	**680**	**199**	**-**
Other	**10**	**-**	**-**	**10**
Total financial liabilities	**889**	**680**	**199**	**10**
2008				
Financial assets:				
Cash	3 702	3 702	-	-
Receivables	278	278	-	-
Investments	7 228	-	-	7 228
Total financial assets	11 208	3 980	-	7 228
Financial liabilities:				
Payables	1 116	920	196	-
Other	10	-	-	10
Total financial liabilities	1 126	920	196	10

29. Events after balance date

There were no events occurring after balance date.

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 101	Presentation of Financial Statements (Sept 2007)
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 133	Earnings per Share
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation and Application of Standards
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures

AUSTRALIAN ACCOUNTING STANDARDS – AASB – *continued*

Reference	Title
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101
AASB 2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101
AASB 2008-12	Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition

AUSTRALIAN INTERPRETATIONS

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

AUSTRALIAN ACCOUNTING STANDARDS - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

TREASURER'S INSTRUCTIONS – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting

TREASURER'S INSTRUCTIONS – TIs – *continued*

Reference	Title
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

ACCOUNTING POLICY FRAMEWORK - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

LEGISLATION

Reference	Title
ITAA	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSM Act	*Public Sector Management Act 1995*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards[1]
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
CPI	Consumer Price Index
FBT	Fringe Benefits Tax
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 which are in force in relation to the reporting period to which the financial report relates.

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