

SOUTH AUSTRALIA

Report
of the
Auditor-General

Annual Report
for the
year ended 30 June 2008

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2008

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

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APF II	General Purpose Financial Reporting Framework
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LEGISLATION

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

ACRONYMS

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

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

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

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SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Superannuation Funds Management Corporation of South Australia (Funds SA) is a statutory authority established by the *Superannuation Funds Management Corporation of South Australia Act 1995* (the SFMCSA Act).

Functions

The main function of Funds SA is to invest and manage the public sector superannuation funds, the nominated funds of approved authorities and other funds (funds under management) pursuant to strategies formulated by Funds SA. For details of Funds SA's objectives and functions refer to Note 1 of the financial report.

Restrictions on Operations

Pursuant to subsection 21(1) of the SFMCSA Act, Funds SA is subject to the direction and control of the Minister. However, a ministerial direction must not be given for an investment decision, dealing with property or the exercise of a voting right.

Funds SA has broad powers over the investment of funds under management. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the SFMCSA Act impose restrictions so that Funds SA must not invest in real property outside the State or enter into derivative transactions (eg futures contracts, forward contracts, swaps) without the relevant authority of the Minister.

Funds Under Management

The funds managed and invested by Funds SA are identified in Note 1(b) of the financial report.

Funds SA is not responsible for the administration (ie receipt of contributions and payment of benefits) of any of the public sector superannuation funds or eligible superannuation funds. This responsibility rests with the following entities:

- The South Australian Superannuation Board — South Australian Superannuation Scheme, Southern State Superannuation Scheme and South Australian Ambulance Service Superannuation Scheme.
- The Police Superannuation Board — Police Superannuation Scheme.
- The South Australian Parliamentary Superannuation Board — Parliamentary Superannuation Scheme.
- The Department of Treasury and Finance — the Governors' Pensions Scheme and the Judges' Pensions Scheme.
- The Trustee of the South Australian Metropolitan Fire Service Superannuation Scheme.

Additional information on the administration of the superannuation schemes is available in the financial reports of the various schemes included elsewhere in Part B of this Report.

In addition, in accordance with the SFMCSA Act, the following have been declared prescribed public authorities for the purpose of investing funds with Funds SA:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission.

Structure

Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external fund management firms. Fund managers are utilised for all investment types, and there is a single custodian (who is responsible for holding, valuing and accounting for the assets) for the majority of those fund managers. Each fund manager and the custodian is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 28 of the SFMCSA Act provides for the Auditor-General to audit the accounts of Funds SA for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

During 2007-08, the review included:

- investment policy and strategy
- investments (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- fixed assets
- administration expenses.

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 Superannuation Funds Management Corporation of South Australia as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Superannuation Funds Management Corporation of South Australia 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 Superannuation Funds Management Corporation of South Australia have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit undertaken indicated that the internal controls over Funds SA's operations were satisfactory. There were no matters arising from the audit which warranted communication in a management letter to the Chief Executive Officer.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2008	2007	Percentage
	\$'million	\$'million	Change
Total Income	3.9	4.7	(17)
Total Expenses	4.6	3.2	44
NET (DEFICIT) SURPLUS	(0.7)	1.5	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	0.5	0.2	-
Total Assets	1.7	2.3	(26)
Total Liabilities	1.0	0.8	25
EQUITY	0.7	1.5	(53)

Funds Under Management

	2008	2007	Percentage
	\$'billion	\$'billion	Change
NET INCOME	(1.5)	2.0	-
NET ASSETS	14.2	13.1	8

Income Statement

The operating result for the year was a deficit of \$732 000 compared with a surplus of \$1.5 million the previous year.

Revenues from fees and charges decreased by \$836 000 as a result of a realignment of administration fees charges to entities/schemes for the investment management services provided by Funds SA.

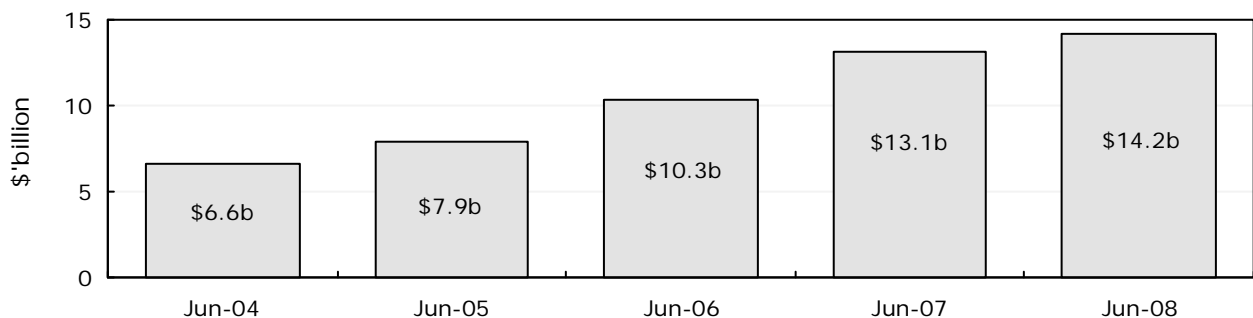
Expenses increased by \$1.4 million. Funds SA rebated clients an amount of \$588 000 being a portion of the previous year's surplus attributed to administration fees charged in 2006-07 (refer Note 6). Employee costs increased by \$423 000 due to an increase in employee numbers. Supplies and services increased by \$400 000 mainly as a result of increased legal and advisory expenses (up \$228 000) incurred to establish 15 unit trusts to assist with managing the investments of a number of Funds SA's asset classes and investment options.

FURTHER COMMENTARY ON OPERATIONS**Funds Under Management**

As mentioned, Funds SA invests and manages the public sector superannuation funds, the funds of eligible superannuation schemes and the nominated funds of approved authorities. The public sector superannuation funds represents 98 percent of total net funds under management. The total net funds managed by Funds SA continues to grow as a result of:

- Government strategy to move to full funding of the public sector superannuation liability
- the introduction of new superannuation products
- increase in contributions
- increase in approved authorities
- accumulation of investment earnings.

The following chart illustrates the growth in net funds under management.



In 2008 the net funds under management increased by \$1.1 billion to \$14.2 billion which was due mainly to:

- \$201 million was paid by the Treasurer for the accruing employers' superannuation liabilities for the South Australian Superannuation Scheme. Further information on this matter is available in the commentary under 'South Australian Superannuation Scheme' elsewhere in Part B of this Report;
- the implementation of new investment mandates during the year, namely \$1.9 billion from the Motor Accident Commission Compulsory Third Party Fund, \$270 million from the South Australian Metropolitan Fire Service Superannuation Scheme and \$7 million from the Adelaide Cemeteries Authority.

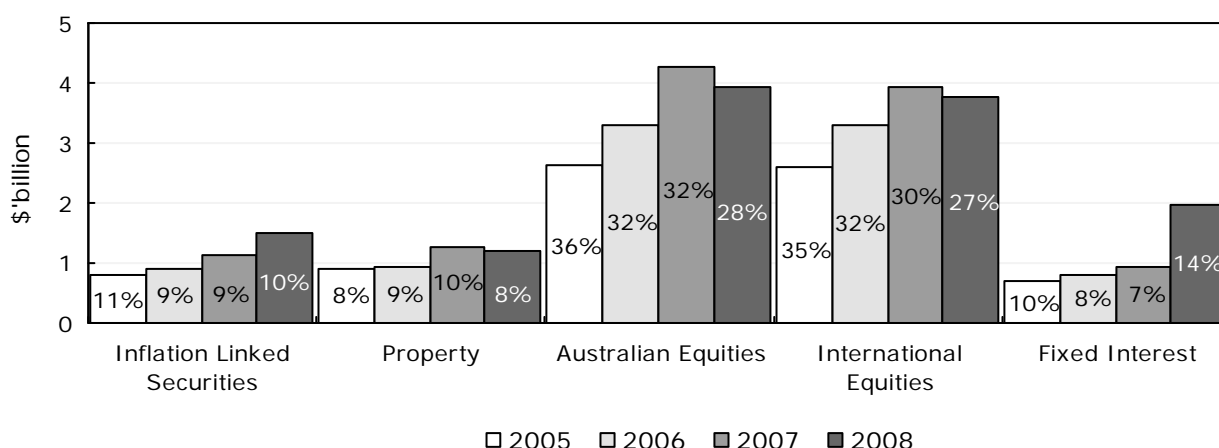
The increases in funds under management were offset by negative net income earned from investing activities of \$1.5 billion (further commented on under the heading 'Income from Investments').

Asset Allocation

An investment policy drives decisions about how funds will be invested. Section 7 of the SFMCSA Act provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level
- the need for liquidity in the funds
- such other matters as are prescribed by regulation.

Underpinning the investment policy and decision making is an understanding of the financial risks facing Funds SA. Funds SA manages some of its financial risks through the diversification of investments where funds under management are invested in eight asset classes. The value of each asset class (excluding cash and diversified strategies which in total only represents 13 percent (12 percent) of total funds under management) and the holding of each asset class as a percentage of total funds under management at 30 June for the last four financial years is illustrated in the following chart.



The mix of investments and financial risks allow Funds SA to offer its clients a variety of investment strategies and single sector products to meet their differing time horizons and levels of acceptable risk. Client investors are responsible for setting investment objectives and selecting investment options which meet their needs. Funds SA is responsible for managing the investment portfolio in accordance with agreed asset allocations and reporting investment performance as required by the client.

The primarily long-term nature of investment strategies means funds under management are exposed to periodic falls in financial markets as well as gains.

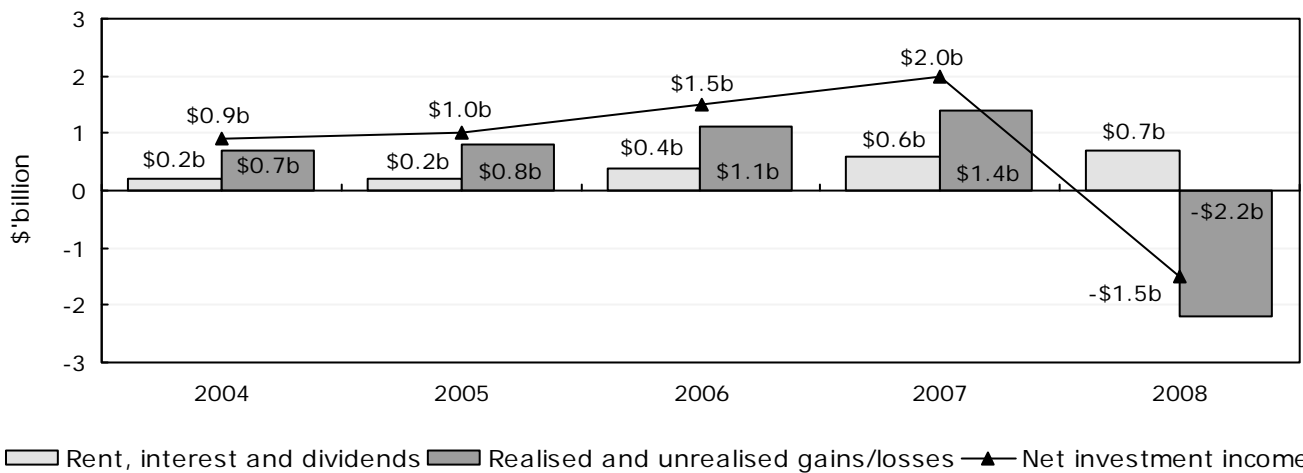
Income from Investments

Net income from investment activities comprises income from rent, interest and dividends, realised and unrealised gains and losses from investment valuations less expenses incurred in the investment activity.

Net income from investment activities was a loss of \$1.5 billion compared to a gain of \$2 billion the previous year. Income from rent, interest and dividends was \$747 million, up \$114 million but this was offset by realised losses of \$298 million (\$563 million gain) and unrealised losses of \$1.8 billion (unrealised gain of \$873 million).

Schedule 1 to the financial report provides full details of income earned from investment activities for each asset class.

An analysis of the investment result for funds under management for the five years to 2008 is shown in the following chart.



As can be seen from this chart realised and unrealised gains contributed significantly to the growth in net investment income for the four years to 2006-07. There was a marked reversal in this trend in 2008. The significant market downturn experienced in 2008 resulted in a negative net investment return.

It is evident the cumulative gains reflected in Net Investment Income for the preceding four years exceeded the fall experienced in 2007-08. The following table shows a structural analysis of net income earned for the five years to 2008 highlighting the varying performance of the major investment asset classes. It should be noted that the magnitude of net income earned from investment activities in each year is a function of not only the performance of financial markets, especially equities, but also the size of total assets invested in the markets.

Net Income Earned From Investment Activities

	2008	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million	\$'million
Inflation Linked Funds	87.1	25.7	59.2	92.8	16.6
Property	(293.9)	232.3	87.5	74.3	65.2
Australian Equities	(674.7)	972.4	630.0	553.2	404.6
International Equities	(751.6)	569.0	630.4	203.7	425.8
Fixed Interest	46.9	29.0	19.2	66.7	19.8
Cash and other	108.6	164.8	85.1	21.5	8.2
	(1 477.6)	1 993.2	1 511.4	1 012.2	940.2
Total Value of Assets Invested					
as at 30 June	14 170	13 109	10 290	7 901	6 599

The above table reflects that Funds SA's investment strategy is weighted towards equity holdings. The volatile nature of equities will cause returns from these investments to fluctuate from year to year consistent with prevailing economic conditions.

The table below shows Funds SA's percentage return for each of the past five years for both the balanced and growth (tax exempt) funds, which together account for 78 percent of total funds under management. These figures were provided by Funds SA and are unaudited.

Funds SA Investment Return periods ending 30 June

	5 Years	2008	2007	2006	2005	2004
	Percent pa	Percent	Percent	Percent	Percent	Percent
Balanced	10.8	(9.3)	17.7	17.6	14.7	16.1
Growth	11.5	(11.2)	19.5	19.4	15.3	17.9

In 2007-08 , performance against target benchmarks is shown in the following tables. These figures were provided by Funds SA and are unaudited.

	Actual Percent	Benchmark Percent
Inflation Linked Funds	6.6	6.4
Property*	(20)	(20.4)
Australian Equities*	(14.6)	(13.7)
International Equities*	(17.3)	(17.4)
Fixed Interest	4.4	6.2
Cash	6.2	7.3
Diversified Strategies - Income	6.4	7.7
Diversified Strategies - Growth	7.9	11.3

* Does not include returns for taxable sector investments as these sectors were only established in November 2007.

Investment Expenses

In 2008 investment expenses amounted to \$80.1 million an increase of \$4.5 million from the previous year. Although, as can be seen from the following table, investment expenses have been steadily increasing over the past five years, they remain at 0.5 percent of average funds under management and the growth correlates with the increase in funds under management.

Year	\$'million
2004	30.0
2005	38.5
2006	55.9
2007	75.5
2008	80.1

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

		2008	2007
	Note	\$'000	\$'000
INCOME:			
Revenues from fees and charges		3 863	4 699
Interest revenues		68	47
Total Income		3 931	4 746
EXPENSES:			
Employee benefits costs	3	2 567	2 144
Supplies and services	4	1 428	1 028
Depreciation and amortisation expense	5	80	92
Administration fee rebate	6	588	-
Finance costs		-	30
Total Expenses		4 663	3 294
NET (DEFICIT) SURPLUS		(732)	1 452
Net (deficit) surplus is attributable to the SA Government as owner			

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents		1 018	606
Receivables - administration fee		231	1 288
Other current assets		38	14
Total Current Assets		1 287	1 908
NON-CURRENT ASSETS:			
Property, plant and equipment	8	437	394
Total Non-Current Assets		437	394
Total Assets		1 724	2 302
CURRENT LIABILITIES:			
Payables	9	236	175
Employee benefits	10	205	184
Provisions - Lease incentive		9	25
Total Current Liabilities		450	384
NON-CURRENT LIABILITIES:			
Payables	9	50	30
Employee benefits	10	504	427
Provisions - Lease incentive		-	9
Total Non-Current Liabilities		554	466
Total Liabilities		1 004	850
NET ASSETS		720	1 452
EQUITY:			
Retained earnings		720	864
Administration fee rebate reserve		-	588
TOTAL EQUITY		720	1 452
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	12		
Contingent assets and liabilities	13		

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

	Administration Fee Rebate Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	-	-	-
Net Surplus for 2006-07	-	1 452	1 452
Transfer to Administration Fee Rebate Reserve	588	(588)	-
Balance at 30 June 2007	588	864	1 452
Net Deficit for 2007-08	-	(732)	(732)
Transfer of Reserve (to) from Retained Earnings	(588)	588	-
Balance at 30 June 2008	-	720	720

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Receipts from fees and charges		4 920	3 411
Interest received		68	47
Cash generated from Operations		4 988	3 458
CASH OUTFLOWS:			
Employee benefit payments		(2 469)	(2 063)
Supplies and services		(1 392)	(1 127)
Payments of administration fee rebate		(588)	-
Interest paid		-	(30)
Cash used in Operations		(4 449)	(3 220)
Net Cash provided by Operating Activities	14	539	238
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		-	1
Cash generated from Investing Activities		-	1
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(127)	(54)
Cash used in Investing Activities		(127)	(54)
Net Cash used in Investing Activities		(127)	(53)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from borrowings		-	1 000
Cash generated from Financing Activities		-	1 000
CASH OUTFLOWS:			
Repayment of borrowings		-	(1 000)
Cash used in Financing Activities		-	(1 000)
Net Cash provided by Financing Activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		412	185
CASH AND CASH EQUIVALENTS AT 1 JULY		606	421
CASH AND CASH EQUIVALENTS AT 30 JUNE		1 018	606

Schedule 1: Asset Sector Funds Under Management

This schedule provides information in relation to assets under Funds SA's management as at balance date.

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB 139. The sources of valuations are provided below.

This schedule provides the following information:

- Investment Valuation Sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Assets Under Management
- Financial Instruments and Management of Portfolio Risk.

Investment Valuation Sources**Discretely Managed Portfolios**

Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

Managed Funds**Pooled Funds/Unlisted Unit Trusts**

Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers.

Private Equity

The value of private equity investments is based on the most recent fund valuations supplied by the relevant fund managers.

Currency Hedge Overlay

The value of the currency hedge overlay, as at 30 June 2008, is supplied by the currency hedge manager (Barclays Global Investors) and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

Internally Managed Investments**Directly Held Property**

The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.

Internally Managed Inflation-Linked Bonds

These investments, the returns of which are linked to movements in either the Consumer Price Index 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.

**Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2008**

	Rent Interest and Dividends	Realised Gains (Losses) ¹	Unrealised Gains (Losses) ²	Expenses	2008 Total
Asset Sector:	\$'000	\$'000	\$'000	\$'000	\$'000
Inflation linked securities	84 246	54 849	(50 639)	(1 308)	87 148
Property A	44 759	(224 136)	(94 619)	(5 520)	(279 516)
Australian Equities A	234 824	(120 413)	(716 855)	(16 492)	(618 936)
International Equities A	187 126	(118 563)	(765 621)	(29 374)	(726 432)
Fixed Interest	54 276	35 588	(44 861)	(2 788)	42 215
Diversified Strategies:					
Growth	66 080	45 959	(53 270)	(13 542)	45 227
Income	37 077	42 965	(30 562)	(9 380)	40 100
Cash	24 365	-	(710)	(364)	23 291
MAC Fixed Interest	3 264	672	761	-	4 697
Australian Equities B	8 535	(17 322)	(46 602)	(418)	(55 807)
International Equities B	7	1 942	(26 493)	(659)	(25 203)
Property B	2 326	-	(16 543)	(213)	(14 430)
Total	746 885	(298 459)	(1 846 014)	(80 058)	(1 477 646)

(1) Realised Gains (Losses)

Realised gains (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(2) Unrealised Gains (Losses)

Unrealised gains (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

**Statement of Income and Expenses of Assets Under Management
for the year ended 30 June 2007**

	Rent Interest and Dividends	Realised Gains (Losses)	Unrealised Gains (Losses)	Expenses	2007 Total
Asset Sector:	\$'000	\$'000	\$'000	\$'000	\$'000
Inflation linked securities	56 934	(3 266)	(26 504)	(1 443)	25 721
Property	52 278	68 876	117 073	(5 948)	232 279
Australian Equities	186 440	206 216	603 594	(23 845)	972 405
International Equities	159 125	192 701	240 206	(23 017)	569 015
Fixed Interest	40 874	34 990	(44 190)	(2 641)	29 033
Diversified Strategies:					
Growth	71 950	28 551	4 868	(13 465)	91 904
Income	35 732	35 306	(19 480)	(4 546)	47 012
Cash	29 115	-	(2 677)	(607)	25 831
Total	632 448	563 374	872 890	(75 512)	1 993 200

**Statement of Net Assets Under Management
as at 30 June 2008**

Asset Sector:	Discretely Managed Portfolios \$'000	Managed Funds \$'000	Internally Managed Investments \$'000	Currency Hedge Overlay \$'000	Other Assets \$'000	Liabilities \$'000	2008 Total \$'000
Inflation linked securities	1 102 433	-	404 019	-	423	(13 521)	1 493 354
Property A	464 620	687 180	97	-	337	(1 266)	1 150 968
Australian Equities A	3 553 420	203 430	-	-	252	(11 411)	3 745 691
International Equities A	3 040 730	580 382	-	40 169	533	(6 699)	3 655 115
Fixed Interest	1 034 927	-	-	-	101	(664)	1 034 364
Diversified Strategies:							
Growth	-	97 844	464 179	12 304	1 456	(290)	575 493
Income	131 635	804 223	-	4 651	161	(579)	940 091
Cash	-	-	268 793	-	53	(37)	268 809
MAC Fixed Interest	942 667	-	-	-	30	-	942 697
Australian Equities B	8 878	181 888	-	-	50	(112)	190 704
International Equities B	-	124 657	-	1 385	50	(47)	126 045
Property B	-	47 325	-	-	94	(83)	47 336
Total	10 279 310	2 726 929	1 137 088	58 509	3 540	(34 709)	14 170 667

**Statement of Net Assets Under Management
as at 30 June 2007**

Asset Sector:	Discretely Managed Portfolios \$'000	Managed Funds \$'000	Internally Managed Investments \$'000	Currency Hedge Overlay \$'000	Other Assets \$'000	Liabilities \$'000	2007 Total \$'000
Inflation linked securities	729 949	-	408 095	-	3 411	(9 203)	1 132 252
Property	962 439	309 801	12 679	-	1 853	(11 597)	1 275 175
Australian Equities	3 984 381	295 650	-	-	4 768	(17 284)	4 267 515
International Equities	3 342 041	553 851	-	32 175	3 493	(6 334)	3 925 226
Fixed Interest	929 625	-	-	-	1 487	(1 169)	929 943
Diversified Strategies:							
Growth	-	518 596	-	6 972	7 876	(1 513)	531 931
Income	85 106	399 993	-	4 277	3 069	(1 051)	491 394
Cash	-	555 391	-	-	905	(148)	556 148
Total	10 033 541	2 633 282	420 774	43 424	26 862	(48 299)	13 109 584

Financial Instruments and Management of Portfolio Risk

Use of Derivative Financial Instruments

Derivatives can be defined as financial contracts whose value depend on, or is 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 certain Funds SA's external investment managers, for the purposes described above.

The fair value of all derivative positions as at 30 June 2008 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

Market Risk

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium-term.

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 sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

Liquidity Risk

Two types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transactions costs will be incurred in liquidating investments to meet clients' cash redemption requirements.

Funds SA manages liquidity risk as follows:

- Firstly, by giving careful consideration to the expected net cash redemption 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.
- Secondly, 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.

Currency Risk

Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

Funds SA's 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 33 1/3 percent 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.

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 for 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Funds SA

(a) Objectives of Funds SA

The Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act).

Under section 5 of the Act, the functions of Funds SA are:

- (a) to invest and manage:
 - (i) the public sector superannuation funds;
 - (ii) the nominated funds of approved authorities,
 pursuant to strategies formulated by the Corporation;
- (ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation;
- (b) such other functions as are assigned to the Corporation by this or any other Act.

The object of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for:

- (a) the need to maintain the risks relating to investment at an acceptable level;
- (b) the need for liquidity in the funds;
- (c) such other matters as are prescribed by regulation.

(b) Purpose of the Financial Report

The purpose of the financial report is to discharge Funds SA's reporting obligations in respect of its financial affairs under subsection 26(1) of the Act, and in respect of each of the funds, as required by subsection 26(2) of the Act.

As at 30 June 2008, Funds SA managed the following funds:

Public Sector Superannuation Funds:

- South Australian Superannuation Scheme
 - South Australian Superannuation Fund (Old Scheme Division)
 - South Australian Superannuation Fund (New Scheme Division)
 - South Australian Superannuation Scheme - Employer Contribution Account
- Police Superannuation Scheme
 - Police Superannuation Fund (Old Scheme Division)
 - Police Superannuation Fund (New Scheme Division)
 - Police Superannuation Scheme - Employer Contribution Account
- Southern State Superannuation Scheme
 - Southern State Superannuation Fund
 - Southern State Superannuation (Employer's) Fund
 - Super SA Flexible Rollover Product
 - Super SA Allocated Pension

Public Sector Superannuation Funds (continued)

- Parliamentary Superannuation Scheme
- Judges' Pensions Scheme
- Governors' Pensions Scheme

Eligible Superannuation Funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme

Nominated Funds of Approved Authorities:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund

(c) Format and Content of Funds SA's Financial Report

Funds SA adopts the format and content of the Model Financial Report developed by the Department of Treasury and Finance.

The Balance Sheet does not incorporate the funds under its management as assets of Funds SA. The Income Statement does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under Note 17 in accordance with subsection 26(2) of the Act.

Controlled entities have not been consolidated into Funds SA's Balance Sheet as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

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

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

(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 Funds SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
 - (a) expenses incurred as a result of engaging consultants (refer Note 4);
 - (b) 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;
 - (c) 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.

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

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

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency and all amounts rounded to the nearest thousand dollars (\$'000).

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

(c) Comparative Information

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

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

(d) Income and Expenses

Income and expenses are recognised in Funds SA's Income Statement when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard.

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

Income**Revenues from Fees and Charges**

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to the Funds SA clients (being SA Government entities). This revenue is recognised upon delivery of the service to the clients.

(e) 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. 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, Funds SA have separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(f) Cash and Cash Equivalents

Cash and cash equivalents recorded in the Balance Sheet includes cash on hand and at bank.

Cash is measured at nominal value.

(g) Receivables

Receivables include amounts receivable from Funds SA's clients. Receivables arise in the normal course of providing services to the clients.

(h) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

(i) Impairment

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

(j) Depreciation and Amortisation of Non-Current Assets

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

The useful lives of all major assets held by Funds SA 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:

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Straight line	10
Computer and office equipment:		
Computers, hardware and software	Diminishing value	3
Office furniture	Straight line	10

(k) 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 Funds SA.

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

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 of the invoice or date the invoice is first received in accordance with TI 11.

(l) 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 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 for sick leave.

Long Service Leave

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

The long service leave liability expected to be paid out within 12 months of the reporting date is classified as current. The remainder of the long service leave liability is recognised as non-current.

Employee Benefit On-Costs

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

Superannuation

Funds SA makes contributions to several State Government and external 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 State Government and external superannuation schemes.

(m) Leases

Funds SA has entered into an operating lease for its office premises. The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased premises. Lease payments are recognised as an expense on the basis that is representative of the pattern of benefits derived from the leased premises.

Lease Incentives

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 benefits of lease incentives received by Funds SA in respect of operating leases have 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.

(n) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

Commitments include operating commitments arising from contractual or statutory sources and are disclosed at their 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.

(o) Insurance

Funds SA has arranged, through South Australian Government Captive Insurance Corporation (SAICORP), a division of the South Australian Government Financing Authority, to insure all major risks of Funds SA.

(p) Taxation

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

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

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

(q) Valuation Basis of Client Funds Under Management

Note 17 provides financial statements in respect of each client fund under the management of Funds SA for the 2007-08 financial year.

The valuation of the investments of each client fund follows the valuation approach required under accounting standards relevant to that client:

- for superannuation scheme clients, investments have been valued at net market value in accordance with AAS 25.
- all other clients' investments have been valued at fair value in accordance with AASB 139.

3. Employee Benefits Cost

	2008 \$'000	2007 \$'000
Salaries and wages	1 826	1 596
Employment on-costs	520	334
Board Fees	221	214
Total Employee Benefits Costs	2 567	2 144

Remuneration of Employees

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

	2008 Number of Employees	2007 Number of Employees
\$100 000 - \$109 999	1	2
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	2	-
\$140 000 - \$149 999	-	2
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	2	-
\$180 000 - \$189 999	-	1
\$200 000 - \$209 999	1	-
\$290 000 - \$299 999	-	1
\$330 000 - \$339 999	1	-
Total Number of Employees	9	7

The table includes all employees who received or are due 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 1.503 million (\$1.106 million).

4. Supplies and Services

	2008 \$'000	2007 \$'000
Computing and communication	159	111
Human resource expenses	38	62
Board expenses	170	181
Staff development	63	50
Subscriptions and publications	66	56
External audit fees	95	81
Travel and accommodation	165	107
Legal and advisory expenses	384	156
Office rent	142	129
Office supplies and printing	58	61
Website expenses	12	-
Client relationship expenses	24	12
Other	52	22
Total Supplies and Services ⁽¹⁾	1 428	1 028

(1) There were no transactions with SA Government entities greater than \$100 000.

4. Supplies and Services (continued)

The number and dollar amount of consultancies

paid/payable (included in supplies and services expense)
that fell within the following bands:

	2008		2007	
	Number	\$'000	Number	\$'000
Below \$10 000	5	21	12	45
Between \$10 000 and \$50 000	3	36	4	52
Above \$50 000	3	326	1	75
Total Paid/Payable to the Consultants Engaged	11	383	17	172

5. Depreciation and Amortisation Expense

Depreciation:

	2008	2007
	\$'000	\$'000
Computer and office equipment	46	62

Amortisation:

	2008	2007
	\$'000	\$'000
Leasehold improvements	34	30

Total Depreciation and Amortisation

80 **92**

6. Administration Fee Rebate Expense

Administration Fee Rebate Expense

588 -

Total Administration Fee Rebate Expense

588 -

The Administration Fee Rebate Reserve was established to provide for the rebate of a portion of Administration Fees charged to Funds SA clients during the 2006-07 financial year. This fee rebate was set aside as a reserve at 30 June 2007 as it was approved by the Board after the end of the financial year ended 30 June 2007; accordingly it was not brought to account as an expense in the 2006-07 financial year. The actual payment of the Administration Fee Rebate Reserve was made to Funds SA clients during 2007-08 and therefore has been brought to account as an expense in the Income Statement during this period.

7. Auditor's Remuneration

2008 2007

\$'000 \$'000

Audit fees paid/payable to the Auditor-General's Department

95 81

Total Audit Fees - SA Government Entities

95 81

Other Services

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

8. Property, Plant and Equipment

Leasehold Improvements:

Leasehold improvements at fair value **380** 294

Accumulated amortisation **(98)** (65)

Total Leasehold Improvements

282 229

Computer and Office Equipment:

Computer and office equipment at fair value **591** 555

Accumulated depreciation **(436)** (390)

Total Computer and Office Equipment

155 165

Total Property, Plant and Equipment

437 394

Reconciliation of Non-Current Assets

The following table shows the movement of non-current assets:

	2008			2007		
	Leasehold Improve- ments \$'000	Computer and Office Equipment \$'000	Non- Current Assets Total \$'000	Leasehold Improve- ments \$'000	Computer and Office Equipment \$'000	Non- Current Assets Total \$'000
Carrying amount at 1 July	229	165	394	255	178	433
Additions	87	40	127	4	50	54
Disposals	-	(4)	(4)	-	(1)	(1)
Depreciation and amortisation	(34)	(46)	(80)	(30)	(62)	(92)
Carrying Amount at 30 June	282	155	437	229	165	394

9. Payables

Current:

2008 2007

\$'000 \$'000

Creditors **124** 67

Accrued expenses **84** 82

Employment on-costs **28** 26

Total Current Payables

236 175

Non-Current:

Employment on-costs **50** 30

Total Non-Current Payables

50 30

10. Employee Benefits

	2008	2007
	\$'000	\$'000
Current:		
Annual leave	102	72
Long service leave	6	6
Accrued salaries and wages	97	106
Total Current Employee Benefits	205	184
Non-Current:		
Long service leave	504	427
Total Non-Current Employee Benefits	504	427
Total Employee Benefits	709	611

11. Key Management Personnel**(a) Board Members**

The following persons held the position of governing Board Member during the financial year.

Helen Nugent	Chairman	Throughout the year
Julie Brennan	Director	Throughout the year
Leigh Hall	Director	Throughout the year
Jan McMahon	Director	Throughout the year
Jim Wright*	Director	Throughout the year
Anne De Salis	Director	Throughout the year
Ros Sumner	Director	Throughout the year

(b) Sub-Committees

Funds SA has established two sub-committees where members receive remuneration for their membership. These are:

Audit Committee

Leigh Hall	Chairman	Throughout the year
Helen Nugent	Member	Throughout the year
Julie Brennan	Member	Throughout the year
Ros Sumner	Member	Throughout the year

Human Resource Committee

Helen Nugent	Chairman	Throughout the year
Jim Wright*	Member	Throughout the year
Jan McMahon	Member	Throughout the year
Anne De Salis	Member	Throughout the year

* As an SA Government employee, Jim Wright is not entitled to and does not receive remuneration for membership of the Funds SA Board and the Human Resource Committee.

(c) Other Key Management Personnel

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

Richard Smith	Chief Executive Officer
John Piteo	Chief Financial Officer

(d) Key Management Personnel Compensation

The key management personnel are the governing Board Members and Senior Management (including the Chief Executive Officer) who have responsibility for the strategic direction and management of Funds SA.

	2008	2007
	\$'000	\$'000
Short-term employee benefits	748	669
Long-term employee benefits	45	24
Total	793	693

(e) Remuneration of Governing Board Members

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board sub-committees. Directors' fees for the 2007-08 year were set by the Governor of South Australia. The aggregate remuneration of directors was \$210 000 (\$200 000).

In 2007-08, the aggregate amount paid, or due and payable for Directors, to the Southern State Superannuation Scheme totalled \$5000 (\$7000). In 2007-08, the periodic amounts paid, or due and payable, to private superannuation funds totalled \$73 000 (\$95 000).

(e) Remuneration of Governing Board Members (continued)

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

	2008 Number of Directors	2007 Number of Directors
The number of governing Board Members whose remuneration received or receivable falls within the following bands:		
\$1 - \$10 000	-	1
\$20 001 - \$30 000	1	2
\$30 001 - \$40 000	4	3
\$50 001 - \$60 000	-	1
\$60 001 - \$70 000	1	-
Total	6	7

(f) Transactions with Directors and Director-Related Entities

The Chairman of Funds SA, Dr Helen Nugent, is a non-executive director of the Macquarie Bank Group Limited. Macquarie Bank Group Limited (or its wholly-owned subsidiaries) has provided funds management and other services to Funds SA during 2007-08 on normal commercial terms and conditions. Dr Nugent did not take part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Bank Group Limited (or its wholly-owned subsidiaries). Dr Nugent has also advised the Board that she did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

12. Unrecognised Contractual Commitments**Operating Lease Commitments**

Funds SA's operating lease is for office accommodation. The lease is non-cancellable expiring on 4 November 2008. In May 2008 Funds SA notified the lessor that it intends to exercise a six year option on the original lease term. Rent is payable in arrears.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2008 \$'000	2007 \$'000
Within one year	171	158
Later than one year but not longer than five years	745	54
Later than five years	271	-
Total Non-Cancellable Operating Lease Commitments	1 187	212

Remuneration Commitments

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

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 as follows:

	2008 \$'000	2007 \$'000
Within one year	1 183	1 044
Later than one year but not longer than five years	2 042	2 512
Total Remuneration Commitments	3 225	3 556

13. Contingent Assets and Liabilities

Funds SA is not aware of any contingent assets or liabilities.

14. Cash Flow Reconciliation**Reconciliation of Net Cash provided by Operating Activities to (Deficit) Surplus**

Net (deficit) surplus	(732)	1 452
Add (Less): Non-cash items:		
Write-off of fixed assets	4	-
Lease incentive	(25)	(25)
Depreciation and amortisation expense	80	92
Changes in Assets/Liabilities:		
Decrease (Increase) in receivables	1 057	(1 288)
Increase in other current assets	(24)	(14)
Increase (Decrease) in payables	81	(60)
Increase in employee benefits	98	81
Net Cash provided by Operating Activities	539	238

15. Financial Instruments**(a) Interest Rate Risk**

Funds SA's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with the weighted average interest rate risk at balance date.

		Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	2008 Total \$'000
Financial Assets:	Note				
Cash		6.72	1 018	-	1 018
Receivables		-	-	231	231
Other Assets		-	-	38	38
Total Financial Assets			1 018	269	1 287
Financial Liabilities:					
Payables	9	-	-	208	208
Total Financial Liabilities			-	208	208
		Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	2007 Total \$'000
Financial Assets:					
Cash		5.80	606	-	606
Receivables		-	-	1 288	1 288
Other Assets		-	-	14	14
Total Financial Assets			606	1 302	1 908
Financial Liabilities:					
Payables	9	-	-	149	149
Total Financial Liabilities			-	149	149

Interest Rate and Credit Risk

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

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Sensitivity Disclosure Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Funds SA as it has been determined that the possible impact on the net surplus/deficit or net assets from fluctuations in interest rates is immaterial.

(b) Market Risk Exposure

The administration fee that Funds SA charges to its clients to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depend upon the performance of the underlying investments, which are linked to the performance of world financial markets.

Funds SA manages this risk in two ways:

- Firstly, its administration fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management
- Secondly, Funds SA has the ability to increase the Administration Fee should this action be necessary to cover administration expenses.

As Funds SA has the ability to amend the administration fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

(c) Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturities 30 June 2008		Contractual Maturities 30 June 2007	
	Carrying Amount \$'000	Less Than One Year \$'000	Carrying Amount \$'000	Less Than One Year \$'000
Financial Assets:				
Cash	1 018	1 018	606	606
Receivables	231	231	1 288	1 288
Other assets	38	38	14	14
Total Financial Assets	1 287	1 287	1 908	1 908
Financial Liabilities:				
Payables	208	208	149	149
Total Financial Liabilities	208	208	149	149

16. Investments in Funds SA Unit Trusts

During the year, Funds SA established a number of unit trusts to manage the investments of Funds SA's tax-paying clients. There were 15 unit trusts created, collectively called the 'Funds SA Investment Trusts'.

The Funds SA Investment Trusts were established under a Master Trust Deed dated 20 June 2008, and came into operation on 1 July 2008. Funds SA seeded each trust with \$10 of initial assets on 20 June 2008. Accordingly, Funds SA has total investments of \$150 in the Funds SA Investment Trusts at balance date.

17. Client Funds Under Management

Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various client funds. For the year ending 30 June 2008, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

Each client fund holds units in an investment option, which in turn holds units in each of the asset sectors according to the target strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the market value of underlying investments.

Under subsection 26(1) of the Act, Funds SA is required to 'prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year'.

These client fund financial statements are explained and disclosed below:

- Each client fund's allocation of total net investment income is disclosed in the Statement of Receipts and Payments.
- The interest which each client fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each client fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian Equities A, International Equities A and Property A asset classes are available to untaxed clients only, whereas Australian Equities B, International Equities B and Property B asset classes are available to taxed clients only. All other asset classes are available to both untaxed and taxed clients.

(a) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Receipts and Payments

	2008 \$'000	2007 \$'000
Funds under Management at 1 July	3 063 641	2 603 584
Add: Receipts	237 789	275 300
Net investment income	<u>(340 818)</u>	<u>508 907</u>
	(103 029)	784 207
Less: Payments	<u>383 150</u>	<u>324 150</u>
Funds Under Management at 30 June	<u>2 577 462</u>	<u>3 063 641</u>

Statement of Funds Under Management - by Investment Option

	2008 \$'000	2007 \$'000
Investment Option:		
Growth A	2 577 462	3 063 641
Funds Under Management at 30 June	<u>2 577 462</u>	<u>3 063 641</u>

(a) *South Australian Superannuation Scheme - Employer Contribution Accounts (continued)***Statement of Funds Under Management - by Asset Sector**

	2008 \$'000	2007 \$'000
Asset Sector:		
Australian equities A	807 597	1 043 677
International equities A	808 678	968 910
Property A	264 309	310 938
Inflation linked bonds	229 297	235 154
Fixed interest	144 821	140 182
Diversified strategies income	172 254	112 842
Diversified strategies growth	122 521	124 140
Cash	27 985	127 798
Funds Under Management at 30 June	2 577 462	3 063 641

(b) *South Australian Superannuation Fund - Old Scheme Division***Statement of Receipts and Payments**

	2008 \$'000	2007 \$'000
Funds under Management at 1 July	1 734 660	1 507 986
Add: Receipts	2 679	2 200
Net investment income	(188 169)	287 724
	(185 490)	289 924
Less: Payments	70 150	63 250
Funds Under Management at 30 June	1 479 020	1 734 660

Statement of Funds Under Management - by Investment Option

	2008 \$'000	2007 \$'000
Investment Option:		
Growth A	1 479 020	1 734 660
Funds Under Management at 30 June	1 479 020	1 734 660

Statement of Funds Under Management - by Asset Sector

	2008 \$'000	2007 \$'000
Asset Sector:		
Australian equities A	463 422	590 939
International equities A	464 042	548 605
Property A	151 668	176 056
Inflation linked bonds	131 577	133 147
Fixed interest	83 102	79 372
Diversified strategies income	98 844	63 892
Diversified strategies growth	70 306	70 289
Cash	16 059	72 360
Funds Under Management at 30 June	1 479 020	1 734 660

(c) *South Australian Superannuation Fund - New Scheme Division***Statement of Receipts and Payments**

	2008 \$'000	2007 \$'000
Funds under Management at 1 July	711 049	594 511
Add: Receipts	3 632	9 700
Net investment income	(76 972)	115 538
	(73 340)	125 238
Less: Payments	22 600	8 700
Funds Under Management at 30 June	615 109	711 049

Statement of Funds Under Management - by Investment Option

	2008 \$'000	2007 \$'000
Investment Option:		
High growth A	19 543	19 639
Growth A	568 175	672 837
Balanced A	9 544	10 313
Moderate A	2 892	1 673
Conservative A	5 125	4 769
Capital defensive A	2 405	1 403
Cash A	7 425	415
Funds Under Management at 30 June	615 109	711 049

(c) South Australian Superannuation Fund - New Scheme Division (continued)**Statement of Funds Under Management - by Asset Sector**

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	189 182	241 318
International equities A	189 500	223 823
Property A	61 999	71 879
Inflation linked bonds	53 594	54 099
Fixed interest	36 645	34 504
Diversified strategies income	40 994	26 485
Diversified strategies growth	28 781	28 875
Cash	14 414	30 066
Funds Under Management at 30 June	615 109	711 049

(d) Southern State Superannuation (Employer's) Fund**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	4 734 833	3 747 453
Add: Receipts	336 417	292 700
Net investment income	(473 024)	694 680
	(136 607)	987 380
Less: Payments	4 700	-
Funds Under Management at 30 June	4 593 526	4 734 833

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
High growth A	326 143	336 381
Growth A	121 692	110 830
Balanced A	4 067 877	4 236 190
Moderate A	4 630	1 681
Conservative A	36 519	40 711
Capital defensive A	8 473	4 679
Cash A	28 192	4 361
Funds Under Management at 30 June	4 593 526	4 734 833

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	1 268 581	1 448 501
International equities A	1 273 095	1 332 644
Property A	426 151	439 559
Inflation linked bonds	508 349	469 880
Fixed interest	508 763	470 144
Diversified strategies income	305 352	180 786
Diversified strategies growth	218 765	197 036
Cash	84 470	196 283
Funds Under Management at 30 June	4 593 526	4 734 833

(e) Southern State Superannuation Fund**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	1 078 336	755 623
Add: Receipts	133 421	174 525
Net investment income	(113 593)	148 188
	19 828	322 713
Less: Payments	1 050	-
Funds Under Management at 30 June	1 097 114	1 078 336

(e) *Southern State Superannuation Fund (continued)***Statement of Funds Under Management - by Investment Option**

	2008	2007
	\$'000	\$'000
Investment Option:		
High growth A	159 711	164 706
Growth A	45 977	42 843
Balanced A	824 223	825 322
Moderate A	4 607	2 069
Conservative A	31 844	31 998
Capital defensive A	5 435	2 436
Cash A	25 317	8 962
Funds Under Management at 30 June	1 097 114	1 078 336

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	302 002	332 713
International equities A	303 206	305 795
Property A	101 073	100 393
Inflation linked bonds	110 852	97 984
Fixed interest	115 791	102 136
Diversified strategies income	73 131	42 353
Diversified strategies growth	51 685	45 270
Cash	39 374	51 692
Funds Under Management at 30 June	1 097 114	1 078 336

(f) *Southern State Superannuation Scheme - Super SA Flexible Rollover Product***Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	119 300	45 839
Add: Receipts	56 431	63 221
Net investment income	(11 661)	11 578
	44 770	74 799
Less: Payments	19 413	1 338
Funds Under Management at 30 June	144 657	119 300

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
High growth B	11 352	10 629
Growth B	28 903	25 401
Balanced B	62 079	60 703
Moderate B	4 850	4 584
Conservative B	9 340	10 368
Capital defensive B	5 843	2 231
Cash B	22 290	5 384
Funds Under Management at 30 June	144 657	119 300

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities B	40 452	41 100
International equities B	26 682	26 442
Property B	10 114	10 510
Inflation linked bonds	14 270	11 490
Fixed interest	17 816	14 648
Diversified strategies income	7 440	4 349
Diversified strategies growth	3 223	2 429
Cash	24 413	9 622
Other Assets	247	-
	144 657	120 590
Less: Liabilities	-	1 290
Funds Under Management at 30 June	144 657	119 300

(g) *Southern State Superannuation Scheme - Super SA Allocated Pension*

Statement of Receipts and Payments

	2008 \$'000	2007 \$'000
Funds under Management at 1 July	48 574	20 936
Add: Receipts	87 214	22 393
Net investment income	(10 201)	5 615
	77 013	28 008
Less: Payments	227	370
Funds Under Management at 30 June	125 360	48 574

Statement of Funds Under Management - by Investment Option

	2008 \$'000	2007 \$'000
Investment Option:		
High growth B	5 479	1 546
Growth B	17 179	7 542
Balanced B	61 015	31 448
Moderate B	10 646	1 627
Conservative B	11 885	4 665
Capital defensive B	6 273	1 088
Cash B	12 883	658
Funds Under Management at 30 June	125 360	48 574

Statement of Funds Under Management - by Asset Sector

	2008 \$'000	2007 \$'000
Asset Sector:		
Australian equities B	35 095	16 549
International equities B	23 013	10 575
Property B	8 861	4 261
Inflation linked bonds	14 487	5 196
Fixed interest	19 551	6 764
Diversified strategies income	6 807	1 735
Diversified strategies growth	2 385	904
Cash	14 770	2 436
Other Assets	391	154
Funds Under Management at 30 June	125 360	48 574

(h) *Parliamentary Superannuation Scheme*

Statement of Receipts and Payments

	2008 \$'000	2007 \$'000
Funds under Management at 1 July	144 287	137 638
Add: Receipts	21 093	3 516
Net investment income	(16 230)	26 613
	4 863	30 129
Less: Payments	5 182	23 480
Funds Under Management at 30 June	143 968	144 287

Statement of Funds Under Management - by Investment Option

	2008 \$'000	2007 \$'000
Investment Option:		
High growth A	767	595
Growth A	141 959	142 919
Balanced A	1 240	595
Capital defensive A	2	178
Funds Under Management at 30 June	143 968	144 287

(h) *Parliamentary Superannuation Scheme (continued)***Statement of Funds Under Management - by Asset Sector**

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	45 092	49 112
International equities A	45 154	45 587
Property A	14 758	14 633
Inflation linked bonds	12 778	11 069
Fixed interest	8 125	6 668
Diversified strategies income	9 634	5 323
Diversified strategies growth	6 858	5 851
Cash	1 569	6 044
Funds Under Management at 30 June	143 968	144 287

(i) *Judges' Pensions Scheme***Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	145 482	134 512
Add: Receipts	15 778	3 370
Net investment income	(16 208)	25 900
	(430)	29 270
Less: Payments	6 140	18 300
Funds Under Management at 30 June	138 912	145 482

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	138 912	145 482
Funds Under Management at 30 June	138 912	145 482

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	43 525	49 561
International equities A	43 584	46 010
Property A	14 245	14 765
Inflation linked bonds	12 358	11 166
Fixed interest	7 805	6 657
Diversified strategies income	9 284	5 358
Diversified strategies growth	6 603	5 898
Cash	1 508	6 067
Funds Under Management at 30 June	138 912	145 482

(j) *Governors' Pensions Scheme***Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	792	763
Add: Receipts	-	-
Net investment income	(75)	139
	(75)	139
Less: Payments	165	110
Funds Under Management at 30 June	552	792

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	552	792
Funds Under Management at 30 June	552	792

(j) *Governors' Pensions Scheme (continued)*

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	173	270
International equities A	173	251
Property A	57	80
Inflation linked bonds	49	61
Fixed interest	31	36
Diversified strategies income	37	29
Diversified strategies growth	26	32
Cash	6	33
Funds Under Management at 30 June	552	792

(k) *South Australian Ambulance Service Superannuation Scheme*

Statement of Receipts and Payments

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	117 380	-
Add: Receipts	11 248	103 377
Net investment income	(11 415)	17 113
	(167)	120 490
Less: Payments	5 120	3 110
Funds Under Management at 30 June	112 093	117 380

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Balanced B	112 093	117 380
Funds Under Management at 30 June	112 093	117 380

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities B	37 610	42 462
International equities B	24 437	27 047
Property B	9 368	10 908
Inflation linked bonds	14 128	12 724
Fixed interest	16 387	15 017
Diversified strategies income	6 459	4 424
Diversified strategies growth	2 591	2 304
Cash	1 237	3 960
	112 217	118 846
Less: Liabilities	124	1 466
Funds Under Management at 30 June	112 093	117 380

(l) *Police Superannuation Scheme - Employer Contribution Account*

Statement of Receipts and Payments

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	479 114	377 181
Add: Receipts	36 094	39 510
Net investment income	(56 923)	76 963
	(20 829)	116 473
Less: Payments	10 305	14 540
Funds Under Management at 30 June	447 980	479 114

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	447 980	479 114
Funds Under Management at 30 June	447 980	479 114

(l) Police Superannuation Scheme - Employer Contribution Account (continued)**Statement of Funds Under Management - by Asset Sector**

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	140 365	163 217
International equities A	140 554	151 525
Property A	45 939	48 627
Inflation linked bonds	39 853	36 775
Fixed interest	25 171	21 923
Diversified strategies income	29 939	17 647
Diversified strategies growth	21 295	19 414
Cash	4 864	19 986
Funds Under Management at 30 June	447 980	479 114

(m) Police Superannuation Fund - New Scheme Division**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	26 349	21 531
Add: Receipts	1 056	1 045
Net investment income	(2 914)	4 133
	(1 858)	5 178
Less: Payments	230	360
Funds Under Management at 30 June	24 261	26 349

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	24 261	26 349
Funds Under Management at 30 June	24 261	26 349

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	7 602	8 976
International equities A	7 612	8 333
Property A	2 488	2 674
Inflation linked bonds	2 158	2 022
Fixed interest	1 363	1 206
Diversified strategies income	1 621	971
Diversified strategies growth	1 153	1 068
Cash	264	1 099
Funds Under Management at 30 June	24 261	26 349

(n) Police Superannuation Fund - Old Scheme Division**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	405 537	342 640
Add: Receipts	1 063	2 200
Net investment income	(45 028)	66 062
	(43 965)	68 262
Less: Payments	2 645	5 365
Funds Under Management at 30 June	358 927	405 537

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	358 927	405 537
Funds Under Management at 30 June	358 927	405 537

(n) Police Superannuation Fund - Old Scheme Division (continued)**Statement of Funds Under Management - by Asset Sector**

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	112 463	138 152
International equities A	112 613	128 255
Property A	36 807	41 159
Inflation linked bonds	31 931	31 128
Fixed interest	20 167	18 556
Diversified strategies income	23 987	14 937
Diversified strategies growth	17 062	16 433
Cash	3 897	16 917
Funds Under Management at 30 June	358 927	405 537

(o) South Australian Government Financing Authority (SAICORP - Insurance Fund 1)**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	279 084	-
Add: Receipts	53	277 318
Net investment income	(31 218)	1 766
	(31 165)	279 084
Less: Payments	-	-
Funds Under Management at 30 June	247 919	279 084

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	247 919	279 084
Funds Under Management at 30 June	247 919	279 084

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	77 693	95 059
International equities A	77 905	88 424
Property A	25 414	28 289
Inflation linked bonds	21 980	21 367
Fixed interest	13 894	12 741
Diversified strategies income	16 556	10 263
Diversified strategies growth	11 789	11 315
Cash	2 688	11 626
Funds Under Management at 30 June	247 919	279 084

(p) South Australian Government Financing Authority (SAICORP - Insurance Fund 2)**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	-	-
Add: Receipts	50 000	-
Net investment income	(5 977)	-
	44 023	-
Less: Payments	-	-
Funds Under Management at 30 June	44 023	-

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Growth A	44 023	-
Funds Under Management at 30 June	44 023	-

(p) South Australian Government Financing Authority (SAICORP - Insurance Fund 2) (continued)**Statement of Funds Under Management - by Asset Sector**

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	13 796	-
International equities A	13 834	-
Property A	4 513	-
Inflation linked bonds	3 903	-
Fixed interest	2 467	-
Diversified strategies income	2 940	-
Diversified strategies growth	2 093	-
Cash	477	-
Funds Under Management at 30 June	44 023	-

(q) Adelaide Cemeteries Authority**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	-	-
Add: Receipts	6 788	-
Net investment income	(496)	-
	6 292	-
Less: Payments	-	-
Funds Under Management at 30 June	6 292	-

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
High Growth A	2 398	-
Capital Defensive A	2 793	-
Cash A	1 101	-
Funds Under Management at 30 June	6 292	-

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	1 045	-
International equities A	1 061	-
Property A	386	-
Inflation linked bonds	577	-
Fixed interest	1 054	-
Diversified strategies income	575	-
Diversified strategies growth	162	-
Cash	1 432	-
Funds Under Management at 30 June	6 292	-

(r) Motor Accident Commission Compulsory Third Party Fund**Statement of Receipts and Payments**

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	-	-
Add: Receipts	1 883 608	-
Net investment income	(67 280)	-
	1 816 328	-
Less: Payments	17 013	-
Funds Under Management at 30 June	1 799 315	-

(r) *Motor Accident Commission Compulsory Third Party Fund (continued)*

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
Motor Accident Commission A	1 799 315	-
Funds Under Management at 30 June	1 799 315	-

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities A	267 931	-
International equities A	164 137	-
Inflation linked bonds	277 748	-
Diversified strategies income	121 622	-
Cash	25 179	-
MAC fixed interest	942 698	-
Funds Under Management at 30 June	1 799 315	-

(s) *South Australian Metropolitan Fire Service Superannuation Scheme*

Statement of Receipts and Payments

	2008	2007
	\$'000	\$'000
Funds under Management at 1 July	-	-
Add: Receipts	270 447	-
Net investment income	(23 130)	-
	247 317	-
Less: Payments	42 385	-
Funds Under Management at 30 June	204 932	-

Statement of Funds Under Management - by Investment Option

	2008	2007
	\$'000	\$'000
Investment Option:		
High Growth B	231	-
Growth B	203 001	-
Balanced B	203	-
Moderate B	53	-
Conservative B	50	-
Capital Defensive B	2	-
Cash B	1 392	-
Funds Under Management at 30 June	204 932	-

Statement of Funds Under Management - by Asset Sector

	2008	2007
	\$'000	\$'000
Asset Sector:		
Australian equities B	77 155	-
International equities B	51 832	-
Property B	18 960	-
Diversified strategies growth	7 238	-
Diversified strategies income	12 117	-
Inflation linked bonds	18 964	-
Fixed interest	12 640	-
Cash	4 203	-
Other assets	1 823	-
Funds Under Management at 30 June	204 932	-

DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Trade and Economic Development (the Department) is an administrative unit established under the PSM Act.

The Chief Executive of the Department is responsible to the following Ministers:

- Minister for Industry and Trade (Deputy Premier)
- Minister for Economic Development (Premier)
- Minister for Regional Development
- Minister for Small Business
- Minister Assisting the Minister for Industry and Trade.

Functions

The function of the Department is to promote economic development in the State by working with business and the community to create and retain jobs, maintain a competitive business climate, increase investment, facilitate major projects, encourage innovation and entrepreneurship, promote trade and encourage industry's involvement in the development of a highly skilled work force to meet the needs of business. For details of the Department's functions refer to Note 1 of the financial report.

A new administrative unit, Defence SA, was established with effect from 1 September 2007, pursuant to section 7 of the PSM Act and assumed responsibility for the Defence Unit investment facilitation and marketing activities of the Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

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

- | | |
|--|--------------------------------|
| • financial accounting | • cash |
| • expenditure | • payroll and related payments |
| • fixed assets | • revenue |
| • grants and subsidies | • FMF |
| • legal compliance | • Olympic Dam Task Force |
| • ICT and business continuity planning | |

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 Department of Trade and Economic Development as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the Department of Trade and Economic Development 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 Department of Trade and Economic Development have been conducted properly and in accordance with law.

Communication of Audit Matters

The audit of the Department identified areas of control practices and procedures that could be enhanced. These were communicated in a management letter to the Chief Executive.

The main areas for improvement in the control environment were:

- the requirement for consistency in use of requisitions and purchase orders to document purchasing transactions before entering commitments to purchase
- the need to ensure purchases of goods and services are authorised prior to committing financial resources
- the requirement to reassess divisional risk management plans due to the refinement of the Department's risk management framework
- the need to develop a strategic framework to link and support the Department's strategic planning processes
- formally documenting a legal compliance framework outlining the Department's legislative responsibilities and compliance obligations.

The Department's responses to the matters raised were considered satisfactory.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2008	2007	Percentage
	\$'million	\$'million	Change
Total Income	9.0	3.1	-
EXPENSES			
Employee benefit expenses	18.2	17.3	5
Supplies and services	23.7	22.9	3
Grants and subsidies	19.3	22.8	(15)
Other expenses	0.4	0.7	(42)
Total Expenses	61.6	63.7	(3)
Net Cost of Providing Services	52.6	60.6	(13)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	56.9	62.1	(8)
Payments to SA Government	-	(2.0)	-
Net Result before Restructuring	4.3	(0.5)	-
Net Expenses from administrative restructure	(3.9)	-	-
Net Result after Restructuring	0.4	(0.5)	-

	2008 \$'million	2007 \$'million	Percentage Change
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2.8)	3.1	-
ASSETS			
Current assets	28.3	29.6	(4)
Non-current assets	8.4	6.9	22
Total Assets	36.7	36.5	1
LIABILITIES			
Current liabilities	3.7	4.7	(21)
Non-current liabilities	2.7	2.4	(13)
Total Liabilities	6.4	7.1	(10)
EQUITY	30.3	29.4	3

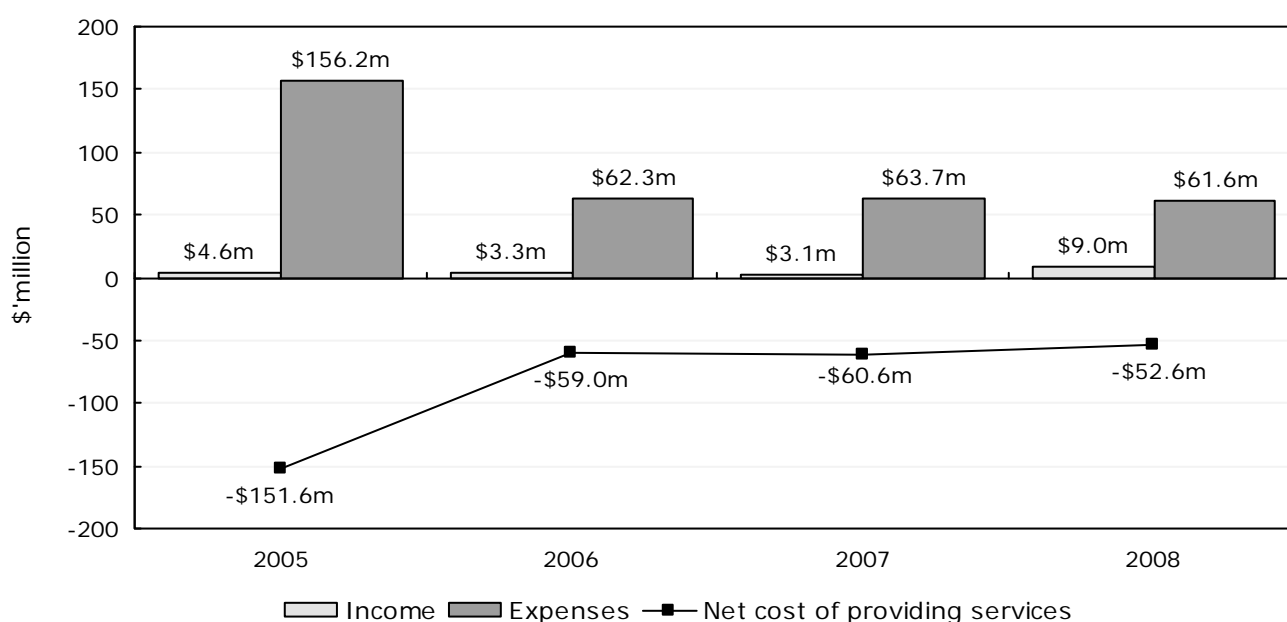
Income Statement

Income

Income has increased by \$5.9 million in 2007-08 due mainly to \$5 million in recoveries due from the Land Management Corporation arising from land sales. Refer to Note 14.

Net Cost of Providing Services

The following chart shows the income, expenses and net cost of providing services for the four years to 2008. The expenses for 2005 included the write-off of \$101.3 million from the balance of interest free loans relating to industry assistance. The change in the net cost of providing services from 2006-07 to 2007-08 is a result of the increase in recoveries revenue.



Cash Flow Statement

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

	2008 \$'million	2007 \$'million
Net Cash Flows		
Operations	(2.8)	3.1
Investing	(0.2)	0.6
Change in Cash	(3.0)	3.7
Cash at 30 June	14.8	17.8

The analysis of cash flows shows that the Department's cash reserves have decreased due mainly to the transfer of cash of \$3.2 million to other government agencies resulting from administrative restructures. Refer Note 24.

FURTHER COMMENTARY ON OPERATIONS

Office of the Venture Capital Board

The Office of the Venture Capital Board was abolished with effect from 1 July 2008, pursuant to section 7 of the PSM Act. The functions, assets, liabilities and employees of the Office of the Venture Capital Board transfer to the Department from that date.

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

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefit expenses	5	18 234	17 296
Supplies and services	6	23 720	22 927
Finance costs		-	403
Depreciation and amortisation	7	286	303
Grants and subsidies	8	19 349	22 754
Other expenses	9	35	9
Total Expenses		61 624	63 692
INCOME:			
Interest revenues	12	31	90
Net loss from disposal of non-current assets	13	(5)	(121)
Recoveries	14	8 955	3 112
Total Income		8 981	3 081
NET COST OF PROVIDING SERVICES		(52 643)	(60 611)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	15	56 900	62 106
Payments to SA Government	15	-	(2 025)
Net Result Before Restructure		4 257	(530)
Net expenses from an administrative restructure	24	(3 894)	-
NET RESULT AFTER RESTRUCTURE		363	(530)
Net result after restructure is attributable to the SA Government as owner			

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	16	14 762	17 792
Receivables	17	12 507	11 623
Financial assistance debtors	18	700	98
Other current assets	19	310	104
Total Current Assets		28 279	29 617
NON-CURRENT ASSETS:			
Receivables	17	7 700	5 272
Financial assistance debtors	18	-	720
Property, plant and equipment	20	723	849
Other non-current assets	19	-	3
Total Non-Current Assets		8 423	6 844
Total Assets		36 702	36 461
CURRENT LIABILITIES:			
Payables	21	1 665	3 006
Short-term employee benefits	22	1 972	1 696
Short-term provisions	23	43	34
Total Current Liabilities		3 680	4 736
NON-CURRENT LIABILITIES:			
Payables	21	224	198
Long-term employee benefits	22	2 408	2 066
Long-term provisions	23	111	94
Total Non-Current Liabilities		2 743	2 358
Total Liabilities		6 423	7 094
NET ASSETS		30 279	29 367
EQUITY:			
Retained earnings		30 246	29 367
Asset revaluation reserve		33	-
TOTAL EQUITY		30 279	29 367

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	25
Contingent assets and liabilities	26

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

	Asset		
	Revaluation	Retained	Total
	Reserve	Earnings	
	\$'000	\$'000	\$'000
Balance at 30 June 2006	764	29 133	29 897
Restated balance at 30 June 2006	764	29 133	29 897
Net income/expense recognised directly in equity for 2006-07	-	(530)	(530)
Total Recognised Income and Expense for 2006-07	-	(530)	(530)
Increment (decrement) on revaluation of non-current assets	(764)	764	-
Balance at 30 June 2007	-	29 367	29 367
Net income/expense recognised directly in equity for 2007-08	-	4 257	4 257
Net expense from restructure for 2007-08	-	(3 894)	(3 894)
Total Recognised Income and Expense for 2007-08	-	363	363
Increment on revaluation of:			
Non-current assets	33	-	33
Prior period adjustments	-	516	516
Balance at 30 June 2008	33	30 246	30 279

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefit payments		(17 556)	(16 391)
Payments for supplies and services		(25 270)	(21 126)
Finance payments		-	(403)
Payments for grants and subsidies		(19 150)	(22 754)
GST paid to ATO		(3 929)	(5 151)
Payments for restructure activities		(3 281)	-
Cash used in Operations		(69 186)	(65 825)
CASH INFLOWS:			
Interest received		31	110
GST recovered from ATO		6 106	5 368
Repayment of financial assistance		-	305
Other receipts		3 305	3 064
Cash generated from Operations		9 442	8 847
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		56 900	62 106
Payments to SA Government		-	(2 025)
Cash generated from SA Government		56 900	60 081
Net Cash (used in) provided by Operating Activities	28	(2 844)	3 103
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(186)	(8 393)
Cash used in Investing Activities		(186)	(8 393)
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		-	9 009
Cash generated from Investing Activities		-	9 009
Net Cash (used in) provided by Investing Activities		(186)	616
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		-	(8 878)
Cash used in Financing Activities		-	(8 878)
CASH INFLOWS:			
Proceeds from borrowings		-	8 878
Cash generated from Financing Activities		-	8 878
Net Cash provided by Financing Activities		-	-
NET (DECREASE) INCREASE IN CASH		(3 030)	3 719
CASH AT 1 JULY		17 792	14 073
CASH AT 30 JUNE	16,28	14 762	17 792

**Program Schedule of Expenses and Income
for the year ended 30 June 2008**

		Program				
	(refer Note 4)	1	2	3	4	5
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses		2 667	137	2 612	1 800	2 478
Supplies and services		1 981	355	1 857	5 507	2 737
Finance costs		-	-	-	-	-
Depreciation		-	-	-	-	-
Grants and subsidies		1 246	341	3 299	2 109	1 678
Other expenses		-	-	-	-	-
Total Expenses		5 894	833	7 768	9 416	6 893
INCOME:						
Interest revenues		-	-	-	31	-
Net gain (loss) from disposal of assets		-	-	-	-	-
Recoveries		187	2	174	783	91
Total Income		187	2	174	814	91
NET COST OF PROVIDING SERVICES		(5 707)	(831)	(7 594)	(8 602)	(6 802)

		Program				2008
	(refer Note 4)	6	7	8	9	Total
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses		4 321	860	1 494	1 865	18 234
Supplies and services		5 472	1 183	1 020	3 608	23 720
Finance costs		-	-	-	-	-
Depreciation		286	-	-	-	286
Grants and subsidies		210	1 430	5 946	3 090	19 349
Other expenses		35	-	-	-	35
Total Expenses		10 324	3 473	8 460	8 563	61 624
INCOME:						
Interest revenues		-	-	-	-	31
Net gain (loss) from disposal of assets		(5)	-	-	-	(5)
Recoveries		7 475	107	41	95	8 955
Total Income		7 470	107	41	95	8 981
NET COST OF PROVIDING SERVICES		(2 854)	(3 366)	(8 419)	(8 468)	(52 643)

**Program Schedule of Expenses and Income
for the year ended 30 June 2007**

		Program				
	(refer Note 4)	1	2	3	4	5
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses		2 297	718	2 702	1 684	1 646
Supplies and services		1 214	2 417	1 896	5 285	2 082
Finance costs		-	-	-	-	-
Depreciation		-	-	-	-	-
Grants and subsidies		709	1 765	3 257	1 565	1 607
Other expenses		-	-	-	-	-
Total Expenses		4 220	4 900	7 855	8 534	5 335
INCOME:						
Interest revenues		-	-	-	21	-
Net gain (loss) from disposal of assets		-	-	-	-	(98)
Recoveries		402	1	341	485	884
Total Income		402	1	341	506	786
NET COST OF PROVIDING SERVICES		(3 818)	(4 899)	(7 514)	(8 028)	(4 549)

		Program				2007
	(refer Note 4)	6	7	8	9	Total
EXPENSES:		\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses		4 116	1 274	1 344	1 515	17 296
Supplies and services		5 256	1 435	655	2 687	22 927
Finance costs		403	-	-	-	403
Depreciation		303	-	-	-	303
Grants and subsidies		9	1 410	9 971	2 461	22 754
Other expenses		9	-	-	-	9
Total Expenses		10 096	4 119	11 970	6 663	63 692
INCOME:						
Interest revenues		69	-	-	-	90
Net gain (loss) from disposal of assets		(23)	-	-	-	(121)
Recoveries		669	228	39	63	3 112
Total Income		715	228	39	63	3 081
NET COST OF PROVIDING SERVICES		(9 381)	(3 891)	(11 931)	(6 600)	(60 611)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Trade and Economic Development

The Department of Trade and Economic Development (DTED) will facilitate the long-term sustainable economic development of South Australia by working in partnership with industry and other stakeholders, and provide leadership across government on economic development.

The Department's key objectives are:

- maintain an internationally competitive business environment;
- increase business investment and facilitate major projects;
- foster the development of innovative, globally competitive businesses;
- increase international trade;
- develop a vibrant and entrepreneurial small business sector;
- ensure the supply of a highly skilled workforce to meet the needs of business;
- build sustainable communities in regional South Australia;
- deliver highly valued services and advice to government and industry;
- develop an organisational environment that is consistent with our guiding principles and enables them to do their business in an effective and efficient way.

2. Summary of Significant Accounting Policies**(a) Statement of Accounting Policies**

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

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

(b) Basis of Accounting

The preparation of the financial reports requires:

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

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

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

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

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

(c) Reporting Entity

DTED is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report includes all the controlled activities of the Department. The Department does not have administered items.

(d) Transferred Functions

The Public Sector Management (Defence SA) Proclamation 2007 (dated 23 August 2007) declared that:

- the Defence Unit was transferred from the Department of Trade and Economic Development to the newly created Defence SA, effective from 1 September 2007.

The Administrative Arrangements (Conferral of Ministerial Functions and Powers and transfer of Contracts) Proclamation 2007 declared that:

- the Ministerial functions and powers associated with the administration of the following funds are conferred on the Treasurer:
 - (a) the Regional Development Infrastructure Fund;
 - (b) the Upper Spencer Gulf & Outback Enterprise Zone Fund;
 - (c) the Rural Town Development Fund;
 - (d) the Innovation and Investment Fund for South Australia.

The effective date of the transfer was 31 October 2007.

On 18 June 2007 (effective immediately), Cabinet approved the South Australian Government Financing Authority to administer the Safety Enhancement Project Grant.

Details of Income and Expenses associated with these functions whilst they were within the Department as well as net assets transferred is contained in Note 24.

(e) Comparative Information

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

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

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

(f) Rounding

All amounts in the financial statements 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:

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

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

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

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years. Refer to Note 29.

(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 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.

(i) Income and Expenses (continued)

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

Income

The following are specific recognition criteria:

(a) Disposal of Non-Current Assets

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

Any gain (loss) on disposal of non-current assets is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

(b) Revenues from SA Government

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

(c) Recoveries

The Department recognises other revenues from the partial and full recovery of costs associated with the delivery of programs.

Expenses**(a) Employee Benefits**

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

(b) Superannuation

The amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole of SA Government financial statements.

(c) Finance Costs

All finance costs are recognised as expenses. Finance costs were paid to the South Australian Government Finance Authority for the purchase of land in 2006-07.

(d) Contributions Paid

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other Government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

(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 Department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Cash

Cash includes cash on hand, cash at bank and deposits held at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

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

Cash is measured at nominal value.

(l) Receivables

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

Trade receivables arise from the partial or full recovery of costs associated with the Department's delivery of programs. 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.

(l) Receivables (continued)

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.

Financial Assistance Debtors

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their face value. A provision is made where recoverability of amounts is considered doubtful. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced, forgiven or converted to grants.

Land Sales

On 10 May 2004, Cabinet approved the transfer of land at Edinburgh Parks to the Land Management Corporation (LMC), effective from 1 July 2004. Proceeds from the sale of land are payable by LMC to the Department upon actual sales achieved.

(m) Non-Current Asset Acquisition and Recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transfer or prior to transfer.

Where the payment for an asset is deferred, the Department measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing. All non-current tangible assets with a value of \$2000 or greater are capitalised.

(n) Revaluation of Non-Current Assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or a 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 buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

(o) Impairment

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

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

(p) Depreciation and Amortisation of Non-Current Assets

All non-current assets having a limited useful life are systematically depreciated 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 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 change in the time period or method, as appropriate, which is a change in the accounting estimate.

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

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

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Leasehold improvements	Life of lease
Computer equipment	3-5
Plant and equipment	5-10
Furniture and fittings	3-10
Intangibles/Software	5

(q) Intangible Assets

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

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiably, 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 \$2000.

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

(r) Payables

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

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

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

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

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

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

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for 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 DTF 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.

The unconditional portion of the long service leave provision is classified as current as the Department 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 10 years of service.

Employee Benefit On-costs

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

Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

(t) Financial Guarantees

At the time a financial guarantee contract is issued, it is recognised as a contingent liability as it is not expected that the guarantee will be called upon. In determining the value of the indemnities provided by the Department, consideration has been given to the following:

- For those properties indemnified by the Minister for Industry and Trade and subject to lease where the historical cost or borrowing from SAFA remains, the value has been calculated using historical cost less the valuation of the property as at 30 June 2008.
- For those properties that are subject to a Deferred Purchase Agreement where the client is paying principal and interest repayments, the value has been calculated using the value of the loan outstanding as at 30 June 2008 less the most recent property or rating valuation.

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 2008 (there was no material liability recognised for financial guarantee contracts in 2007).

Whilst no liability has been recognised for financial guarantee contracts, further note disclosures relating to financial guarantees are contained at Note 26 'Contingent Assets and Liabilities'.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Department has assessed whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The Department has entered into an operating lease in relation to premises and motor vehicles for its administrative and operating activities.

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

(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 Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

3. Changes in Accounting Policies

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

4. Programs of the Department

The Department has identified nine broad programs that reflect the nature of the services delivered to the South Australian community. These programs and their objectives are:

Program 1: *Economic Strategy and Policy Development*

The objective of this program is to create a clear strategic direction for the economic development of South Australia with a focus on 'workforce' and a business environment that is competitive and supports development. This will be achieved by promoting partnerships between industry, the community and other government departments and assessing opportunities and constraints on future growth. It will also assist in developing industry strategies and economic development policies.

Program 2: *Defence Industry Development*

The objective of this program was to double defence industry contribution to Gross State Product and increase defence employment in the State over the coming decade. To achieve these goals the Defence Unit focused policy initiatives on detailed plans to help industry take advantage of defence business opportunities. This plan focused on the four defence sectors - naval, land force, aerospace and electronics, as well as identifying strategic workforce development requirements within the South Australian defence industry. Activities undertaken under this program were transferred to Defence SA from 1 September 2007.

Program 3: *Business Growth*

The objective of this program is to promote a competitive and vibrant manufacturing and trade services sector and work with industry and other stakeholders in addressing issues and promoting growth. This will be achieved by promoting the development and uptake of new technologies in partnership with tertiary institutions, facilitating import replacement, and maximising Australian content in major investment projects and developing and implementing the strategy for manufacturing.

Program 4: *International Market Development*

The objective of this program is to maximise export market opportunities for South Australian based companies and to ensure that South Australia's interests are reflected in all trade agreements. This will be achieved by implementing export strategies, disseminating market intelligence, providing business matching services, promoting the value of exports to South Australians and participating in national trade consultations and council of Australian Government Trade Ministers' meeting initiated by the Commonwealth.

Program 5: *Investment Attraction*

The objective of this program is to help facilitate major projects and secure new investment in South Australia. This will be achieved by identifying strategic investment opportunities, working across South Australian Government to reduce impediments to investing in South Australia and providing high quality services to investors.

Program 6: *Corporate Leadership, Governance and Support*

The objective of this program is to deliver services that are customer focused, timely and effective and in support of all Department of Trade and Economic Development divisions and offices.

Program 7: *Small Business Growth*

The objective of the Small Business program is to ensure that small business issues are represented at the state government level and that their interests are taken into account in the delivery of programs or development of policies. Through partnerships and networks, this program will deliver advice and training on business management and skills, on the ground support in emergencies and the promotion of small business in South Australia.

Program 8: *Regional Development*

The objective of this program is to improve economic, social and environmental wellbeing in South Australia's regions. This will be achieved by working in partnership with the three spheres of government and local communities, in addition to the enhancement of community and business capacity and the improved coordination of government activities impacting on regions.

Program 9: *Population and Migration*

The objective of this program is to work in partnership with the Population Advisory Group and other government agencies to meet the targets in Prosperity through People - A Population Policy for South Australia. This will be achieved by encouraging, promoting and supporting increased overseas/interstate migration to South Australia, through positive messages about South Australia's job opportunities, housing affordability, quality education systems, lifestyle and recreational advantages. Population Policy Unit will also take a lead role across government in Prosperity through People - A Population Policy for South Australia.

5.	Employee Benefit Expenses		2008	2007
		Note	\$'000	\$'000
	Salaries and wages		13 544	12 538
	Long service leave		399	355
	Annual leave		1 113	989
	Employment on-costs - Superannuation		1 501	1 533
	Employment on-costs - Other		1 037	996
	Board fees	27	640	885
	Total Employee Expenses		18 234	17 296

The Department of Trade and Economic Development had no Targeted Voluntary Separation Packages (TVSPs) in 2007-08 and 2006-07.

Remuneration of Employees

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

	2008	2007
	Number of Employees	Number of Employees
\$100 000 - \$109 999	8	6
\$110 000 - \$119 999	7	9
\$120 000 - \$129 999	1	3
\$130 000 - \$139 999	7	5
\$140 000 - \$149 999	1	1
\$150 000 - \$159 999	2	-
\$160 000 - \$169 999	1	2
\$170 000 - \$179 999	2	1
\$180 000 - \$189 999	1	1
\$190 000 - \$199 999	1	-
\$250 000 - \$259 999	-	1
\$260 000 - \$269 999	1	1
\$290 000 - \$299 999	1	-
Total Number of Employees	33	30

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$4.601 million (\$4.064 million).

6.	Supplies and Services		2008	2007
	Supplies and Services provided by Entities within the SA Government:	Note	\$'000	\$'000
	Accommodation and service costs		1 285	1 402
	Accounting and audit fees	10	115	102
	Advertising		45	19
	Business mentoring and coaching		20	55
	Communications and information technology expense		448	607
	Contractors		14	108
	Consultancies (refer below)		14	27
	Property outgoings		-	364
	Overseas trade representation*		575	129
	Seminar costs (non-staff)		31	11
	Staff related expenses		146	157
	Travel and related expenses		422	431
	Office administration expenses		932	825
	Total Supplies and Services - SA Government Entities		4 047	4 237
	Supplies and Services provided by Entities external to the SA Government:			
	Accommodation and service costs		682	672
	Accounting and audit fees		691	412
	Advertising		1 099	963
	Business mentoring and coaching		979	779
	Communications and information technology expense		947	1 245
	Contractors		4 578	4 798
	Consultancies (refer below)		1 958	1 369
	Overseas trade representation*		198	475
	Seminar costs (non-staff)		176	197
	Staff related expenses		958	766
	Travel and related expenses		1 645	1 615
	Office administration expenses		5 762	5 399
	Total Supplies and Services - Non-SA Government Entities		19 673	18 690
	Total Supplies and Services		23 720	22 927

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 related to third party arrangements.

* Represents payments made to trade organisations relating to activities promoting South Australia.

6.	Supplies and Services (continued)	2008	2007	2008	2007	
	The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Number	Number	\$'000	\$'000	
	Below \$10 000	15	13	59	54	
	Between \$10 000 and \$50 000	27	20	615	481	
	Above \$50 000	10	8	1 298	861	
	Total Paid/Payable to the Consultants Engaged	52	41	1 972	1 396	
7.	Depreciation and Amortisation Expense			2008	2007	
	Depreciation			\$'000	\$'000	
	Plant and equipment			206	245	
	Buildings and improvements			77	58	
	Total Depreciation			283	303	
	Amortisation					
	Intangible/software assets			3	-	
	Total Amortisation			3	-	
	Total Depreciation and Amortisation			286	303	
8.	Grants and Subsidies					
	Grants and Subsidies paid/payable to Entities within the SA Government:					
	Class of assistance:					
	Industry development			4 419	4 945	
	Regional development boards			50	60	
	Other			232	316	
	Total Grants and Subsidies - SA Government Entities			4 701	5 321	
	Grants and Subsidies paid/payable to Entities external to the SA Government:					
	Class of assistance:					
	Industry development			9 176	6 987	
	Regional development boards			4 386	5 180	
	Regional infrastructure*			111	4 281	
	Other			975	985	
	Total Grants and Subsidies - Non-SA Government Entities			14 648	17 433	
	Total Grants and Subsidies			19 349	22 754	
	* The reduction in Regional Infrastructure grants relates to the transfer of functions to DTF (refer Note 2).					
9.	Other Expenses					
	Other Expenses paid/payable to Entities external to the SA Government:					
	Bad and doubtful debts			35	9	
	Total Other Expenses - Non-SA Government Entities			35	9	
	Total Other Expenses			35	9	
10.	Auditors' Remuneration					
	Audit fees paid/payable to the Auditor-General's Department			115	102	
	Total Audit Fees			115	102	
	No other services were provided by the Auditor-General's Department.					
11.	Overseas Representative Offices					
	The following table provides a summary of the financial transactions for the reporting period. The transactions relating to operating expenses and operating revenues have been included in the financial statements.					
					Total	
	SATIC	Singapore	Dubai	India	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Operating expenses	829	714	590	2 302	2 351
	Operating revenues	22	10	4	36	27
	Funds advanced to overseas offices towards operating expenses	799	615	795	2 410	2 266
12.	Interest Revenues				2008	2007
					\$'000	\$'000
	Other - Financial assistance debtors				-	59
	Other - Overseas offices				31	31
	Total Interest Revenues				31	90

13. Net Gain (Loss) from Disposal of Assets	2008	2007
Plant and Equipment:	\$'000	\$'000
Proceeds from disposal	-	9 009
Less: Net book value of assets disposed	5	9 130
Total Net Loss from Disposal of Assets	(5)	(121)
14. Recoveries		
Recoveries received/receivable from Entities within the SA Government:		
Recoveries - Shared Services	157	153
Recoveries - LMC ⁽¹⁾	4 964	-
Recoveries - Other	539	569
Total Recoveries - SA Government Entities	5 660	722
Recoveries received/receivable from Entities external to the SA Government:		
Sponsorship revenues	41	45
Recoveries - Rental of property	-	856
Recoveries - Financial assistance grants	334	138
Recoveries - Commonwealth programs	385	315
Recoveries - Seminars	138	253
Recoveries - ATO ⁽²⁾	1 871	-
Recoveries Other	526	783
Total Recoveries - Non-SA Government Entities	3 295	2 390
Total Recoveries	8 955	3 112

(1) Relates to the recognition of revenue resulting from the increase in amounts receivable from LMC due to increased land values. Please also refer to Notes 2 (l) and 17.

(2) The recovery relates to an amendment in the GST treatment of land transferred to LMC in July 2004. A private ruling received in March 2008 enabled the Department to receive a refund.

15. Revenues from (Payments to) SA Government	2008	2007
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	56 900	62 106
Total Revenues from SA Government	56 900	62 106
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	-	2 025
Total Payments to SA Government	-	2 025

Appropriation received in 2007-08 reflects budgeted cash requirements.

16. Cash		
Deposits at call - Westpac	5 192	7 856
Deposits with the Treasurer	7 675	7 675
Deposits at call - Overseas offices	1 889	2 255
Other	6	6
Total Cash	14 762	17 792

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these account 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 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.

17. Receivables	2008	2007
Current:	\$'000	\$'000
Receivables	201	1 376
Less: Provision for doubtful debts	-	59
Receivables - Land sales ⁽¹⁾	11 390	9 119
GST receivable	916	1 187
Total Current Receivables	12 507	11 623
Non-current receivables - Land sales ⁽¹⁾	7 700	5 272
Total Non-Current Receivables	7 700	5 272
Total Receivables	20 207	16 895

Government/Non-Government Receivables	2008	2007
Receivables from SA Government Entities:	\$'000	\$'000
Receivables	99	1 202
Receivables - Land sales ⁽¹⁾	19 090	14 391
Total Receivables from SA Government Entities	19 189	15 593
Receivables from Non-SA Government Entities:		
Receivables	102	115
GST receivable	916	1 187
Total Receivables from Non-SA Government Entities	1 018	1 302
Total Receivables	20 207	16 895

(1) Amounts receivable from LMC in relation to Edinburgh Parks land sales - refer to Note 2(l). Increase in amounts receivable from LMC is due to increased land values and anticipated sale dates.

Movement in the Allowance for Doubtful Debts

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

	2008	2007
Movements in the provision for Doubtful Debts (Impairment Loss):	\$'000	\$'000
Carrying amount at 1 July	(59)	(177)
Decrease (Increase) in the provision	47	109
Amounts written off	12	9
Carrying Amount at the 30 June	-	(59)

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. In addition, there is no concentration of credit risk.

- (a) Maturity analysis of receivables - refer to Note 30.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 30.

18. Financial Assistance Debtors	2008	2007
Current:	\$'000	\$'000
Financial assistance debtors	800	494
Less: Provision for doubtful debts	100	396
Total Current Financial Assistance Debtors	700	98
Non-Current:		
Financial assistance debtors	2 401	3 121
Less: Provision for doubtful debts	2 401	2 401
Total Non-Current Financial Assistance Debtors	-	720
Total Financial Assistance Debtors	700	818

Financial assistance is provided to non-SA Government entities only.

Movements in the allowance for Doubtful Debts (Impairment Loss):		
Carrying amount at 1 July	(2 797)	(2 661)
Decrease (Increase) in the allowance	213	(136)
Amounts recovered	60	-
Amounts written off	23	-
Carrying Amount at 30 June	(2 501)	(2 797)

19. Other Assets		
Current:		
Prepayments	209	104
Other	101	-
Total Other Current Assets	310	104
Non-Current:		
Prepayments	-	3
Total Other Non-Current Assets	-	3
Total Other Assets	310	107

19. Other Assets (continued)	2008	2007
Government/Non-Government Other Assets:	\$'000	\$'000
Other assets from SA Government entities:		
Other	14	-
Total Other Assets from SA Government Entities	14	-
Other assets from Non-SA Government entities:		
Prepayments	209	107
Other	87	-
Total Other Assets from SA Government Entities	296	107
Total Financial Assistance Debtors	310	107
20. Property, Plant and Equipment		
Plant and Equipment:		
Plant and equipment at cost (Deemed fair value)	1 076	1 200
Accumulated depreciation	(687)	(729)
Total Plant and Equipment	389	471
Leasehold Improvements:		
Building improvements at fair value	346	282
Accumulated depreciation	(186)	(109)
Total Leasehold Improvements	160	173
Intangibles/Software		
Computer software	177	-
Accumulated amortisation	(3)	-
Total Intangible Assets	174	-
Capital Works in Progress:		
Works in progress at cost	-	205
Total Capital Works in Progress	-	205
Total Property Plant and Equipment	723	849

Impairment

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

Reconciliation of Non-Current Assets

The following table shows the movement of Non-Current Assets during 2007-08.

	Plant and Equipment	Leasehold Improvements	Intangibles/ Software	Work in Progress	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	471	173	-	205	849
Additions	113	64	177	65	419
Disposals/transfers	(5)	-	-	-	(5)
Revaluation increment	33	-	-	-	33
Depreciation	(206)	(77)	(3)	-	(286)
Disposal through admin restructuring	(17)	-	-	-	(17)
Other changes	-	-	-	(270)	(270)
Carrying Amount at 30 June	389	160	174	-	723

21. Payables	2008	2007
Current:	\$'000	\$'000
Creditors and accrued expenses	1 367	2 739
Employee on-costs	298	267
Total Current Payables	1 665	3 006
Non-Current:		
Employee on-costs	224	198
Total Non-Current Payables	224	198
Total Payables	1 889	3 204
Government/Non-Government Payables		
Payables to SA Government Entities:		
Creditors and accrued expenses	334	507
Employee on-costs	522	465
Total Payables to other SA Government Entities	856	972
Payables to Non-SA Government Entities:		
Creditors and accrued expenses	1 033	2 232
Total Payables to Non-SA Government Entities	1 033	2 232
Total Payables	1 889	3 204

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.

- (a) Maturity analysis of payables - refer to Note 30.
 (b) Categorisation of financial instruments and risk exposure information - refer to Note 30.

22. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Accrued salaries and wages	300	241
Annual leave	1 218	1 082
Short-term long service leave	454	373
Total Current Employee Benefits	1 972	1 696
Non-Current:		
Long service leave	2 408	2 066
Total Non-Current Employee Benefits	2 408	2 066
Total Employee Benefits	4 380	3 762

The total current and non-current employees expense (ie aggregate employee benefit plus related on costs) for 2008 is \$2.270 million and \$2.632 million respectively.

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of long service leave liability has remained at 6.5 years.

23. Provisions	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	43	34
Total Current Provisions	43	34
Non-Current:		
Provision for workers compensation	111	94
Total Non-Current Provisions	111	94
Total Provisions	154	128
Carrying amount at 1 July	128	119
Additional provisions recognised	104	61
Payments/other sacrifices of future economic benefits	(78)	(52)
Carrying Amount at 30 June	154	128

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

24. Transferred Functions

Assets and liabilities transferred to other departments in 2007-08 is detailed herein:

	Defence SA	DTF/SAFA	Total
	\$'000	\$'000	\$'000
Net Assets transferred:			
Cash	482	2 799	3 281
Receivables	-	633	633
Property, plant and equipment	17	-	17
Total Assets	499	3 432	3 931
Employee benefits	(37)	-	(37)
Total Liabilities	(37)	-	(37)
Net Assets	462	3 432	3 894

During 2007-08 \$69 000 was also transferred to DTF representing the balance of unspent funds of the Rail Reform Transition Program at 30 June 2005. The administration of this program was transferred to the Treasurer effective 1 July 2005.

Summary of Income and Expenses

Transactions have only been recorded in the financial statements for the period that the Department had control over the transactions.

Summary of Income and Expenses (continued)

For the Defence SA transfer, transactions to 31 August 2007 have been included while for DTF, transactions to 31 October 2007 have been included.

	Defence SA 01.07.07 to 31.08.07 \$'000	DTF/SAFA 01.07.07 to 31.10.07 \$'000	Total \$'000
Other income	(2)	-	(2)
Total Income	(2)	-	(2)
Employee benefit expenses	136	-	136
Supplies and services	838	-	838
Grants and subsidies	341	641	982
Total Expenses	1 315	641	1 956
Net Result	1 313	641	1 954

25. Unrecognised Contractual Commitments**Capital Commitments**

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

Within one year

Total Capital Commitments

2008 \$'000	2007 \$'000
-	63
-	63

The Department's capital commitments at 30 June 2007 related to software development.

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

Later than one year but not longer than five years

Total Remuneration Commitments

4 596	4 521
5 563	5 111
10 159	9 632

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

Later than one year but not longer than five years

Total Operating Lease Commitments

1 335	1 297
741	1 880
2 076	3 177

Representing:

Cancellable operating leases

Non-cancellable operating leases

238	221
1 838	2 956
2 076	3 177

The Department's operating leases relate to office accommodation and motor vehicles. Office accommodation is leased from the Department for Transport, Energy and Infrastructure - Building Management Accommodation Services. The leases are non-cancellable with terms ranging up to three years with some leases having the right of renewal. Motor vehicles are leased from the Department of Treasury and Finance - Fleet SA with lease periods of up to three years. These are cancellable without notice.

26. Contingent Assets and Liabilities**Contingent Assets**

Where specific conditions relating to a financial assistance grant are not met, the Department may request the amount granted be repaid by the grantee.

There are no known contingent assets arising from these present obligations as at 30 June 2008.

Contingent Liabilities**Guarantees and Indemnities**

The Department has provided indemnities relating to various industry packages some of which can be reliably measured. As at 30 June 2008 the indemnities that can be reliably measured total \$8 486 000 (\$11 200 000).

At this stage, the Department does not expect that these contingencies will be called upon.

27. Remuneration of Board and Committee Members

Board and Sitting Fees are paid to some members of the following Boards and Committees:

- Economic Development Board
- Defence Industry Advisory Board
- Manufacturing Consultative Council
- Small Business Development Council
- Regional Communities Consultative Council
- South Australian Export Council

27. Remuneration of Board and Committee Members (continued)

Board fees are not paid to members of the following Board:

- Business and Parliamentary Trust

* In accordance with Department of the Premier and Cabinet Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year. In addition, members of Parliament who are members of boards or committees did not receive any remuneration. These members are indicated by an asterisk next to their name.

Members of the Economic Development Board during the financial year were:

David Simmons (Chairman) (Resigned June 08)	John Bastian (Resigned Dec 07)
Cheryl Bart	Grant Belchamber
Monsignor David Cappel	Bruce Carter (Appointed Sept 07)
Bob Hawke ⁽¹⁾	Michael Hickinbotham
Wayne Jackson (Resigned Dec 07)	Michael Keating
Justin Milne ⁽¹⁾	Mike Moore
Helen Nugent	Kevin Osborn
Leanna Read	Fiona Roche (Resigned Dec 07)

(1) Members have elected not to receive Board fees.

Members of the Defence Industry Advisory Board during the financial year were:

Peter Cosgrove (Chairman)	Mike Rann*
Kevin Foley*	Cheryl Bart
Ian Chessell	Les Fisher
Andrew Fletcher*	Malcolm Kinnaird
Roxley McLennan*	David Shackleton
Graham Walters	Peter Young

Pursuant to a proclamation in the Government Gazette dated 23 August 2007, the Defence Industry Advisory Board within the Department of Trade and Economic Development was transferred to Defence SA effective 1 September 2007.

Members of the Manufacturing Consultative Council during the financial year were:

Kevin Foley* (Chairman)	Karlene Maywald* (Deputy Chairman)
Ann Angel	John Camillo
Annette Cinnamond	Andrew Downs
Chris Field	Brian Freeborn
Wayne Hanson	Stephen Myatt
Victor Previn	Chris Stathy
Nick Thredgold	Grant Tinney

Members of the Small Business Development Council during the financial year were:

Karlene Maywald* (Chairman)	Liz Davies
Linda Eldredge	Debra Ferguson
Robert Ferguson	Chris Herrmann
Malcolm Johnson	Rosemary Kemp
Susan Lee	Conor McKenna
Philip Sims	Beverley Turner
Kym Webber	

Members of the Regional Communities Consultative Council during the financial year were:

Peter Blacker (Chairman)	Deb Agnew
Joy Baluch (Resigned Dec 07)	Bill Boehm
Mark Braes	Jeff Burgess
Bill Clifford (Resigned Dec 07)	Mary-Lou Corcoran (Appointed Jan 08)
Barbara-Ann Cowey (Appointed Jan 08)	Anita Crisp (Appointed Jan 08)
Ann Ferguson (Appointed Jan 08)	William Hender (Appointed Jan 08)
Bishop Eugene Hurley (Resigned Sept 07)	Monica Klein
Jane Lowe	Kym McHugh
Bill McIntosh	Jeffrey Mincham (Resigned Dec 07)
Heather Moore (Resigned Dec 07)	Ian O'Loan
Jim Pollock	Janet Sawyer (Resigned Dec 07)
Ruth Schubert*	Claire Smith (Resigned Dec 07)
Phil Tyler*	Craig Wickham
Jeanette Wormald	Samantha Yates (Appointed Jan 08)

Members of the Regional Communities Consultative Council are voluntary. Only the Chair of the Board is remunerated.

27. Remuneration of Board and Committee Members (continued)

Members of the South Australian Export Council during the financial year were:

Malcolm May (Chairman) (Resigned Oct 07)	Gail Fuller
Penny Gale (Business SA representative)	Angelo Kotses
Anthony Kittel	Paula Nagel
Jamie Newlyn (Maritime Union representative)	David Williams

Member's of the South Australian Export Council are entitled to remuneration. No members were paid in 2007-08.

Members of the Business and Parliamentary Trust during the financial year were:

Jack Snelling (Joint Chairman)	Mike Terlet (Joint Chairman)
Melissa Cadzow	Vicki Chapman
Michelle Lensink	Christine Locher
Peter Vaughan	

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

	2008 Number	2007 Number
\$0 - \$ 9 999	18	19
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	3	1
\$30 000 - \$39 999	1	6
\$40 000 - \$49 999	9	9
\$60 000 - \$69 999	-	2
\$80 000 - \$89 999	1	1
Total Number of Members	34	40

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$689 129 (\$929 700).

Amounts paid to a superannuation plan for board/committee members was \$48 643 (\$44 487).

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.

28. Cash Flow Reconciliation

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

	2008 \$'000	2007 \$'000
Reconciliation of Cash - Cash at 30 June as per:		
Deposits at call - Westpac	5 192	7 856
Deposits with the Treasurer	7 675	7 675
Deposits at call - Overseas offices	1 889	2 255
Other	6	6
Balance Sheet	14 762	17 792

Reconciliation Net Cash (used in) provided by Operating Activities to Net Result after Restructure:

Net cash (used in) provided by operating activities	(2 844)	3 103
(Loss) from disposals of assets	(5)	(121)
Add (Less): Non-Cash Items:		
Depreciation of property, plant and equipment	(286)	(303)
Asset write-downs and transfers	(612)	-
Doubtful debts expense	(35)	(9)
Conversion of loan to grant	(199)	-
Prior period adjustments	47	-
Changes in Assets/Liabilities (net of restructure transfer):		
Increase (Decrease) in receivables	3 560	(465)
Increase in other assets	102	48
Decrease (Increase) in payables	1 372	(1 773)
Increase in provisions	26	(9)
Increase in employee benefits	(711)	(1 001)
Net Result after Restructure	363	(530)

29. Events After Balance Date

The Public Sector Management (Abolition of Office of the Venture Capital Board and Transfer of Employees) Proclamation 2008 (dated 5 June 2008) declared that the Office of the Venture Capital Board is to be abolished and the role of the Office (now branded Venture Capital SA) is to be incorporated into the Department, effective from 1 July 2008.

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 'Summary of Significant Accounting Policies'.

	Note	2008		2007	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets					
Cash:					
Cash	16,28	14 762	14 762	17 792	17 792
Loans and receivables:					
Receivables ⁽¹⁾	17	20 078	20 078	16 526	16 526
Total Financial Assets at Cost		34 840	34 840	34 318	34 318
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables ⁽¹⁾	21	1 130	1 130	2 643	2 643
Total Financial Liabilities at Cost		1 130	1 130	2 643	2 643

(1) Receivable and payment 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 etc they are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

Credit risk arises when there is the possibility of the 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 financial assets are impaired. Refer Note 17 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.

Ageing Analysis of Financial Assets

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	20	-	238	258
2007				
Not Impaired:				
Receivables	27	39	1 427	1 493

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

Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash	14 762	14 762	-	-
Receivables	20 078	12 378	7 700	-
Total Financial Assets	34 840	27 140	7 700	-
Financial Liabilities:				
Payables	1 130	1 130	-	-
Total Financial Liabilities	1 130	1 130	-	-

Maturity Analysis of Financial Assets and Liabilities (continued)

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2007				
Financial Assets:				
Cash	17 792	17 792	-	-
Receivables	16 526	10 535	5 991	-
Total Financial Assets	34 318	28 327	5 991	-
Financial Liabilities:				
Payables	2 643	2 643	-	-
Total Financial Liabilities	2 643	2 643	-	-

Liquidity Risk

The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

Funding for the Department is provided through State Government Appropriation. DTF forward Appropriation based on the approved budget and cash flow requirements of the Department and therefore the liquidity risk is insignificant.

Where payments for long service leave significantly impact on the budget, the Department is able to access the Accrual Appropriation Excess Funds Account held with DTF.

Market Risk

Market risk through interest rate or price fluctuations is immaterial.

TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY

Establishment

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the TA Act) was proclaimed. The TA Act provided for the continuation of TransAdelaide as a statutory corporation to which the provisions of the PCA apply. TransAdelaide is responsible to the Minister for Transport.

Functions

TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers
- undertake activities which build customer support and use of the rail passenger transport system
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

TransAdelaide has a contract with the Department for Transport, Energy and Infrastructure (DTEI) for the provision of rail (ie train and tram) passenger transport services. TransAdelaide is also part of a joint venture arrangement to manage a bus contract. Details of the arrangement are provided under the heading 'Further Commentary on Operations'.

Financial Restructure

Effective 1 January 2008, the majority of TransAdelaide's rail assets were transferred to the Minister for Transport. The transfer was by proclamation under a provision of the *Passenger Transport Act 1994*. The written down value of the assets transferred was \$525 million. As part of this restructure the Treasurer also forgave TransAdelaide's debt to the Treasurer of \$67 million. In effect, TransAdelaide is the Government's provider of rail passenger services using assets owned by the Minister for Transport.

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 a public authority. In addition, subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts of TransAdelaide 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 TransAdelaide 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 to obtain sufficient evidence to form an opinion on the financial statements and internal controls.

During 2007-08, areas of review included:

- | | |
|---|--|
| • salaries and wages | • non-current assets and assets transfer |
| • expenditure | • inventories |
| • revenue | • legal compliance |
| • receipting, banking and bank reconciliation | |

Audit sought an understanding of internal audit activities to assist in:

- identifying and assessing the risks of material misstatements of the financial report
- design and performance of audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

Assessment of Controls

In my opinion, the controls exercised by TransAdelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to policies and procedures and payroll, outlined under 'Communication of Audit Matters' are sufficient to provide reasonable assurance that the financial transactions of TransAdelaide have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the General Manager and Audit and Risk Committee. The main matters raised with TransAdelaide are summarised below.

Policies and Procedures

There was a lack of documented procedures for controls exercised over payroll and revenue processes.

Payroll

In addition to the requirement for enhanced procedures the audit of payroll identified the need for management to ensure:

- independent checking of new employees on the payroll system
- controls are in place over changes to pay rates processed to the payroll system
- all exception reports, timesheets, termination payouts and signed contracts are filed and accessible.

Expenditure

The following matters were noted in relation to expenditure processes:

- creditor reconciliations to be independently reviewed on a consistent basis
- the need to maintain a complete record of voided payments
- purchase orders to be appropriately authorised
- improved processes to ensure appropriate approvals for invoice payments.

In addition, an agreement between TransAdelaide and the provider for the supply of bio-diesel fuel required formalisation.

TransAdelaide's Response

TransAdelaide responded satisfactorily and in detail to all the audit issues raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

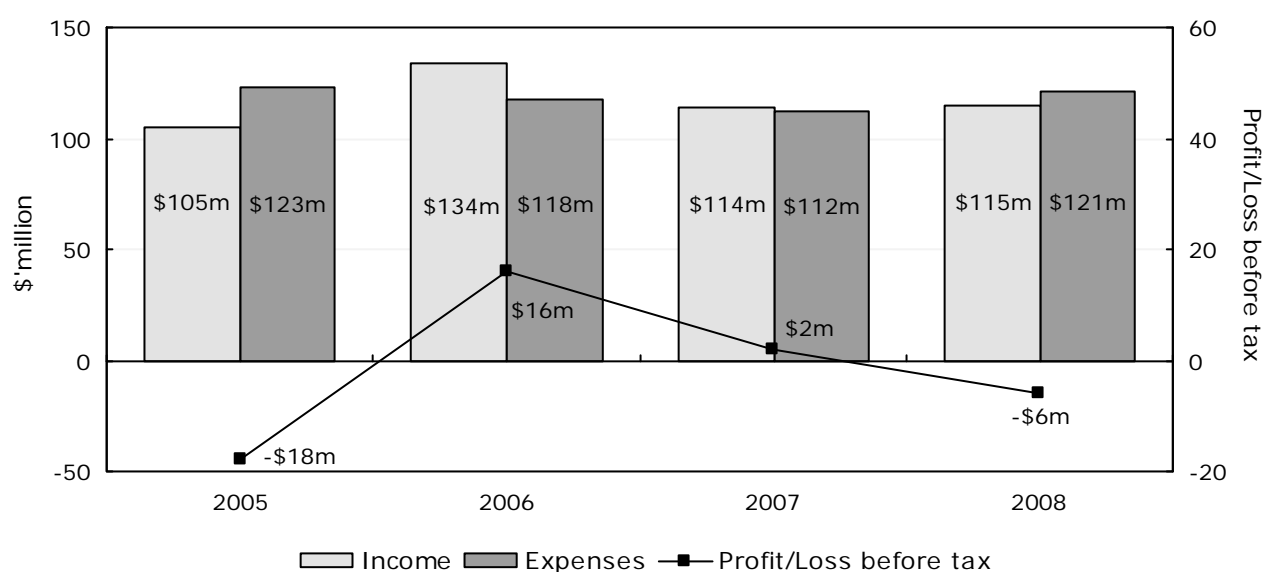
	2008 \$/million	2007 \$/million	Percentage Change
INCOME			
Government funding	2.1	2.7	(22)
Provision of services	86.5	97.2	(11)
Other revenue	26.2	14.1	86
Total Income	114.8	114.0	1

	2008 \$'million	2007 \$'million	Percentage Change
EXPENSES			
Employee benefit expenses	50.0	42.4	18
Supplies and services	55.8	43.1	29
Depreciation and amortisation expense	12.2	19.8	(38)
Other expenses	2.5	7.1	(65)
Total Expenses	120.5	112.4	7
(Loss) Profit before Restructure/Asset Transfer	(5.7)	1.6	-
Net Cost of Restructure/Asset Transfer	(449.2)	-	-
(Loss) Profit after Restructure/Asset Transfer	(454.9)	1.6	-
Income Tax Equivalent Expense	-	0.5	(100)
Net (Loss) Profit After Income Tax Equivalents	(454.9)	1.1	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1.6	22.1	(93)
ASSETS			
Current assets	17.8	28.0	(36)
Non-current assets	120.9	649.4	(81)
Total Assets	138.7	677.4	(80)
LIABILITIES			
Current liabilities	21.1	21.4	(1)
Non-current liabilities	22.1	105.6	(79)
Total Liabilities	43.2	127.0	(66)
EQUITY	95.5	550.4	(83)

Income Statement

Profit Before Restructure/Asset Transfer

The following chart shows the income, expenses and profit/loss before restructure and asset transfer for the four years to 2008.



In 2008, TransAdelaide achieved a \$6 million loss due to increases in expenses of \$9 million. That was due mainly to increases in employee benefit expenses of \$8 million, and in supplies and services of \$13 million offset by decreases in depreciation and amortisation of \$8 million and other expenses of \$5 million.

Income

As TransAdelaide's primary functions are to provide rail passenger transport services under a contract, its main operating revenue is provision of services with government funding and other revenue being less significant.

The previous table, 'Highlights of the Financial Report', shows that total income is consistent with the previous year. Operating revenues for the provision of services decreased by \$11 million but was offset by an increase in other revenue of \$12 million due to recharge of services provided to DTEI for capital works.

Contract Income - DTEI Contract

The DTEI contract requires TransAdelaide to provide passenger services in the specified service area in return for contract payments. All ticket revenue collected by TransAdelaide is remitted to DTEI. TransAdelaide transferred a significant portion of its non-current assets to the Minister for Transport, effective from 1 January 2008 and following this funding under the contract was reduced. This explains the decrease in operating revenues for the provision of services of \$11 million described above.

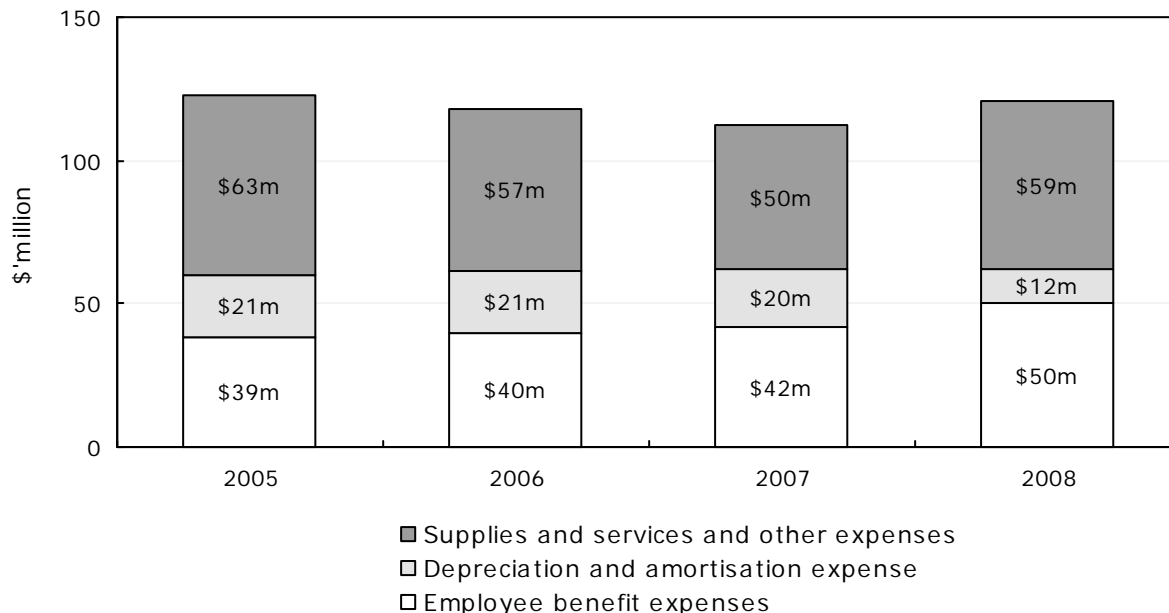
Under the contract TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Contract Income - Financial Dependence

Income of \$83 million (\$94 million) from DTEI for the provision of passenger services represented 72 percent (82 percent) of TransAdelaide's income. A high degree of financial dependency relates to maintaining and securing future contracts of service.

Expenses

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



The chart indicates the following:

- The consistency of employee benefit costs for the years 2005 to 2007. There was an increase in 2008 due to increases in employee numbers and salary rates under the Enterprise Bargaining Agreement.
- The consistency of the depreciation charge for the years 2005 to 2007. The reduction in the depreciation and amortisation in 2008 of \$8 million resulted from the financial restructure, including the transfer of the majority of non-current assets to the Minister for Transport, effective from 1 January 2008.

- An increase of \$9 million in supplies and services and other expenses in 2008. This was due mainly to increases in costs incurred on capital works services provided (and recharged) to DTEI.

Net Cost - Restructure/Asset Transfer and Write-offs

The loss before Restructure/Asset Transfer of \$6 million was further increased by the Net Cost of Restructure/Asset Transfer and Write-offs of \$449 million due to the following transactions:

Loss on transfer of non-current assets	(\$525 million)
Debt forgiven	\$67 million
Grant funding in advance written off	\$9 million

Loss on Transfer of Non-Current Assets

In December 2007 the Governor, by proclamation under Schedule 4 clause 3 of the *Passenger Transport Act 1994*, transferred real and personal property from TransAdelaide to the Minister for Transport. The effective date of transfer was 1 January 2008. The transfer represents a significant restructure of TransAdelaide's assets.

The written down value of the assets transferred was \$525 million. As no sale proceeds were assigned for the transfer, this resulted in a loss on transfer of \$525 million. The assets transferred included the major portion of TransAdelaide's rolling stock, land, buildings and plant and equipment.

Debt Forgiven

Due to the transfer of assets, the Treasurer approved the forgiveness of TransAdelaide's debt to the Treasurer which resulted in a \$67 million credit in the Income Statement.

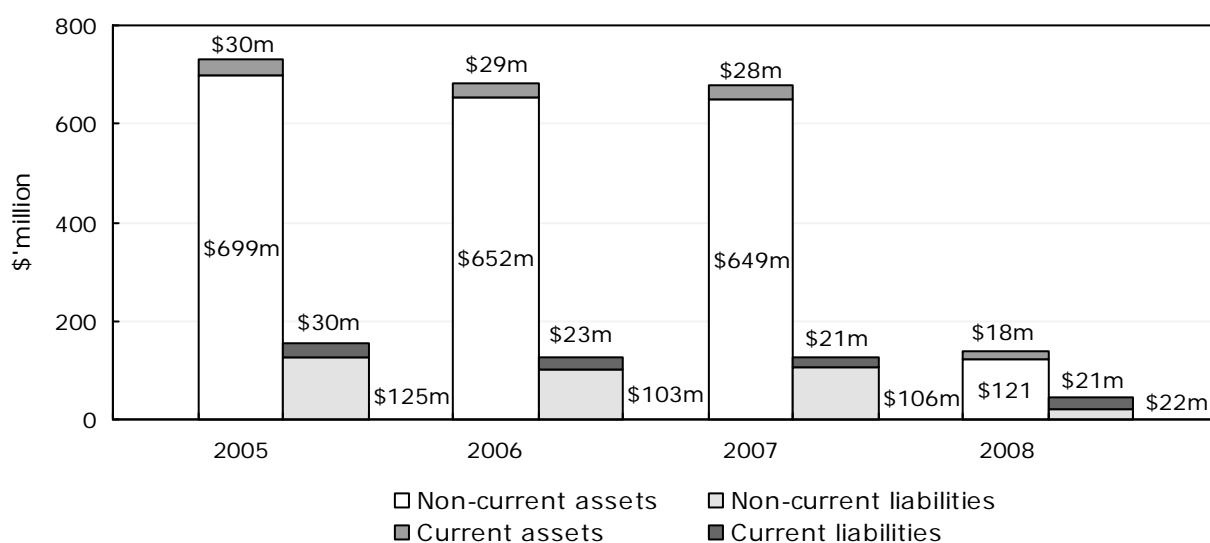
Grant Funding in Advance Written Off

As the majority of assets were transferred and TransAdelaide no longer controls those assets, the capital grant funding previously deferred was written back to revenue and shown as part of the Net Cost of Restructure/Net Asset Transfer and Write-offs.

For details refer to Note 6 to the financial statements.

Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



Assets and Liabilities

The reduction in non-current assets from 2007 to 2008 reflects the transfer of \$525 million of non-current assets to the Minister for Transport, effective from 1 January 2008. The decrease in non-current liabilities reflects debt repayment of \$8 million and debt forgiven of \$67 million.

Cash Flow Statement

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

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	1.6	22.1	51.0	25.1
Investing	(10.1)	(18.2)	(2.5)	(14.3)
Financing	(8.1)	(5.3)	(40.9)	(7.7)
Change in Cash	(16.6)	(1.4)	7.6	3.1
Cash at 30 June	4.1	20.7	22.1	14.5

The inflow from operating activity decrease in 2008 of \$20.5 million was due mainly to decrease in revenues from the provision of services (under a contract with the Transport Division of DTEI) of \$10.9 million and increases in expenditure of \$12.9 million for supplies and services and \$6.7 million for employee benefit expenses offset by an increase in other receipts of \$6.5 million.

FURTHER COMMENTARY ON OPERATIONS

Joint Venture Relationship

In 1999-2000 TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide Hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the Hills Metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

In 2008, TransAdelaide has brought to account \$961 000 (\$942 000) for its share of net profit and fees from the joint venture. Refer Note 26 to the financial statements for further information.

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

		2008	2007
	Note	\$'000	\$'000
INCOME:			
Revenues from the provision of services	7	86 471	97 166
Appropriation from SA Government	8	2 063	2 669
Financial income	9	673	1 400
Net gain from the disposal of assets	10	265	376
Other revenues	11	24 412	11 473
Income from joint venture	26	961	942
Total Income		114 845	114 026
EXPENSES:			
Employee benefit expenses	12	49 970	42 450
Supplies and services	15	55 788	43 124
Depreciation and amortisation expense	16	12 204	19 806
Borrowing costs	17	2 513	5 411
Other expenses	18	27	1 621
Total Expenses		120 502	112 412
Net Operating (Loss) Profit before restructure/asset transfer and associated write-offs		(5 657)	1 614
Grant funding in advance - Written off	34	9 045	-
Debt forgiven	30	67 134	-
Transfer of non-current assets	10	(525 410)	-
Net restructure/asset transfer and write off	6	(449 231)	-
(Loss) Profit after restructure/asset transfer and write-offs and before tax equivalents		(454 888)	1 614
Income tax equivalent expense	19	-	(484)
NET (LOSS) PROFIT AFTER INCOME TAX EQUIVALENTS		(454 888)	1 130

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

**Balance Sheet
as at 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	20	4 142	20 670
Receivables	21	8 768	2 393
Inventories	22	4 947	4 886
Total Current Assets		17 857	27 949
NON-CURRENT ASSETS:			
Property, plant and equipment	23	120 542	638 763
Investment property	24	-	10 322
Intangible assets	25	113	156
Investment accounted for using the equity method	26	200	200
Total Non-Current Assets		120 855	649 441
Total Assets		138 712	677 390
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	28	9 850	10 884
Short-term employee benefits	31	8 523	7 627
Short-term provisions	32	2 013	2 655
Other current liabilities	33	702	271
Total Current Liabilities		21 088	21 437
NON-CURRENT LIABILITIES:			
Long-term borrowings	30	-	75 205
Long-term employee benefits	31	11 230	11 094
Long-term provisions	32	10 883	10 520
Government grants	34	-	8 735
Total Non-Current Liabilities		22 113	105 554
Total Liabilities		43 201	126 991
NET ASSETS		95 511	550 399
EQUITY:			
Asset revaluation reserve	35	51 170	469 278
Retained earnings		44 341	81 121
TOTAL EQUITY		95 511	550 399
Total equity is attributable to the SA Government as owner			
Commitments for expenditure	36		
Contingent assets and liabilities	37		

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

	Note	Asset		Total
		Revaluation Reserve	Retained Earnings	
		\$'000	\$'000	\$'000
Balance at 30 June 2006		474 510	78 753	553 263
Error correction		-	1 302	1 302
Restated balance at 30 June 2006		474 510	80 055	554 565
Profit after income tax equivalent for 2006-07		-	1 130	1 130
Total Recognised Income and Expenses for 2006-07		-	1 130	1 130
Transferred to retained profits amounts realised on disposal of assets	35	(5 232)	5 232	-
Dividends to SA Government	8(b)	-	(5 296)	(5 296)
Balance at 30 June 2007		469 278	81 121	550 399
Assets transferred during 2007-08		-	(525 410)	(525 410)
Debt forgiven		-	67 134	67 134
Grant funding in advance written off		-	9 045	9 045
Loss before income tax equivalent for 2007-08		-	(5 657)	(5 657)
Total Recognised Income and Expense for 2007-08		-	(454 888)	(454 888)
Transferred to retained profit amounts realised on disposal of assets	35	(418 108)	418 108	-
Balance at 30 June 2008		51 170	44 341	95 511

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH INFLOWS:			
Receipts from the sale of goods and services		86 467	97 322
Interest received		798	1 383
Receipts from SA Government		2 793	5 454
Dividends received		1 035	999
GST input tax credits claimed		10 098	10 700
Other receipts		17 368	10 821
Cash generated from Operations		118 559	126 679
CASH OUTFLOWS:			
Employee benefit payments		(49 169)	(42 489)
Supplies and services		(54 747)	(41 850)
Interest paid		(2 955)	(5 434)
Income tax equivalents received (paid)		210	(694)
GST payments on purchases		(6 274)	(5 863)
GST remitted to ATO		(3 993)	(8 303)
Cash used in Operations		(116 928)	(104 633)
Net Cash provided by Operating Activities	38(b)	1 631	22 046
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		63	34
Proceeds from sale of investments		903	1 588
Cash generated from Investing Activities		966	1 622
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(11 012)	(19 667)
Purchase of intangibles		(42)	(141)
Cash used in Investing Activities		(11 054)	(19 808)
Net Cash used in Investing Activities		(10 088)	(18 186)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Dividends paid		-	(5 296)
Repayment of borrowings		(8 071)	-
Net Cash used in Financing Activities		(8 071)	(5 296)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(16 528)	(1 436)
CASH AND CASH EQUIVALENTS AT 1 JULY		20 670	22 106
CASH AND CASH EQUIVALENTS AT 30 JUNE	38(a)	4 142	20 670

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of TransAdelaide

TransAdelaide was established as a public authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999.

TransAdelaide is a body corporate subject to the provisions of the PCA. The *TransAdelaide (Corporate Structure) Act 1998* provides that TransAdelaide's principal activity is to operate passenger transport services, an activity that continued to be the primary focus throughout the year.

2. Summary Of Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by TransAdelaide for the reporting period ending 30 June 2008. These are outlined in Note 4.

(b) Basis of Preparation

The preparation of the financial report requires:

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

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

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

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

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

(c) Reporting Entity

The financial report covers TransAdelaide as an individual reporting entity. TransAdelaide is a public authority pursuant to the *TransAdelaide (Corporate Structure) Act 1998*.

(d) Segment Reporting

TransAdelaide has not established any partnership or body corporate to carry out its principal business operations. However, TransAdelaide has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills. Business operations are conducted in the one business and geographical segment.

(e) Comparative Information

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

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

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

(f) Rounding

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

(g) Taxation

In accordance with TI 22, TransAdelaide is required to pay to the State 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 outstanding for the current period. TransAdelaide 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;
- receivable and payables, which are stated with the amount of GST included.

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

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

(h) Events After Balance Date

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years. No such events have occurred related to the year ended 30 June 2008.

(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 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.

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

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

Income

Revenues from Fees and Charges and from the Provision of Services

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the entity or authority.

Services directly related to the provision of rail services are disclosed under Note 7. Other services provided on an ad hoc basis are disclosed as 'Other Income' under Note 11.

Revenues from Sales

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

Rental Income

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

Interest Income

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

Dividend Revenue

Dividend revenue is recognised when the right to received 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 TransAdelaide will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement 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 Income Statement on a straight-line basis over the expected lives of the related assets.

Where money has been received in the form of a loan, TransAdelaide has recorded a loan receivable. Where money has been received in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of TransAdelaide and the funding is recorded as contributed equity.

Other Contributions

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

Resources Received/Provided Free Of Charge

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

Disposal of Non-Current Assets

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

Expenses

The following are specific recognition criteria:

Employee Benefits

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

Superannuation

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

Supplies and Services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of TransAdelaide. These items are recognised as an expense in the reporting period in which they are incurred.

Maintenance Expenses

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

Borrowing Costs

All borrowing costs are recognised as an expense and include:

- interest on short-term and long-term borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowing;
- finance lease charges;
- the increase in financial liabilities and provisions (not employee related) due to the unwinding of discounts to reflect the passage of time.

Contributions

All contributions paid by TransAdelaide have been unconditional ie no conditions attached.

Resources Provided Free of Charge

Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Finance Costs

All finance costs are recognised as an expense.

(j) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. TransAdelaide 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, TransAdelaide has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Cash and Cash Equivalents

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

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(l) 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.

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

(m) Inventories

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

Inventories are measured at the lower of cost or their net realisable value. Cost is allocated in accordance with the weighted average cost 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.

Inventories include train, tram and infrastructure spare parts.

(n) Investment Property

Investment properties represent properties held to earn rentals or for capital appreciation or both. 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 asset will flow to TransAdelaide.

Subsequent to initial recognition at cost, investment properties are revalued to fair value changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated.

Rental income arising from the leasing of investment properties is recognised in the Income Statement as part of other income, on a straight-line basis over the lease term.

(o) Non-Current Asset Acquisition and Recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. 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.

(o) Non-Current Asset Acquisition and Recognition (continued)

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

All non-current tangible assets with a value of \$10 000 or above 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.

(p) Revaluation of Non-Current Assets

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

Every three years, TransAdelaide revalues its land and buildings. However, if at anytime 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 valuations 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 recognized in the Income Statement, in which case the increase is recognised in the Income Statement.

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

TransAdelaide uses the gross method of revaluation where the gross asset value and the accumulated depreciation are both restated to the revalued amounts of the assets.

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

(q) Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the Income Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset. Refer to Note disclosures on inventories, financial assets, investment properties and assets held for sale for further information in relation to these specific assets.

(r) Depreciation and Amortisation of Non-Current Assets

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

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

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

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

Land and assets held for sale are not depreciated.

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

<i>Class of Assets</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Rollingstock:		
Railcars	Straight line	20 - 42
Tramcars	Straight line	10 - 87
Buildings	Straight line	10 - 100
Permanent way	Straight line	20 - 242
Machinery, plant and equipment	Straight line	3 - 100
Intangibles	Straight line	3

(s) 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. TransAdelaide 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 reliable measurement 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.

Subsequent expenditure on intangible assets has not been capitalised. This is because TransAdelaide has been unable to attribute this expenditure to the intangible asset rather than to TransAdelaide as a whole.

(t) 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 TransAdelaide.

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.

TransAdelaide 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.

(u) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salaries and wages 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 TransAdelaide's experience of employee retention and leave taken.

Employee Benefit On-Costs

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

(v) Provisions

Provisions are recognised when the authority has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

(w) Borrowings/Financial Liabilities

TransAdelaide measures financial liabilities including borrowings/debt at historical cost.

(x) Leases

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

Operating Leases

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

Lease Incentives

All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the authority in respect of operating leases have been recorded as 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.

(y) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

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

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

(z) Insurance

TransAdelaide has arranged, through the South Australian Government Financing Authority, SAICORP Division, to insure all major risks of TransAdelaide, excluding the Adelaide Railway Station Building, which is insured through Aon Services Pty Ltd (Aon).

The excess payable with Aon varies depending on the aspect of risk insured. There is a standard \$1 million excess on all insurance cover with SAICORP.

(aa) Joint Venture

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Income Statement from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per AASB 128.

3. Financial Risk Management

TransAdelaide 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 unit and risk management policies and practices are in accordance with Australian Risk Management Standards and internal written policies approved by the Board.

TransAdelaide has 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).

3. Financial Risk Management (continued)

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

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

4. Changes in Accounting Policies

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

5. Segment Information

TransAdelaide operations fully relate to the provision of public transport services in the Adelaide metropolitan area.

6. Restructure/Asset Transfer and Write-offs

In November 2007, Cabinet approved the transfer of assets from TransAdelaide to the Minister for Transport. In December 2007 the Governor, by proclamation with the advice and consent of the Executive Government under Schedule 4 clause 3 of the *Passenger Transport Act 1994*, transferred real and personal property from TransAdelaide to the Minister for Transport effective 1 January 2008. The transfer represents a significant restructure of TransAdelaide's assets.

The written down value of assets transferred was \$525.41 million. As no sale proceeds were assigned for the asset transfer, this resulted in a loss on transfer of non-current assets of \$525.41 million. The loss on assets transfer above, Debt Forgiven and Capital Grant Funding write-back are all related to the asset transfer. Due to their materiality to TransAdelaide's operations for the year 2007-08, they have been separately disclosed in the Income Statement and treated effectively (from an accounting disclosure viewpoint) as a significant restructure of TransAdelaide. Details are as follows:

	Note	2008 \$'000
Loss on asset transfer	10	(525 410)
Debt forgiven	30	67 134
Capital grant funding write-back	34	9 045
Net Asset Transfer/Write-Off		(449 231)

From 1 January 2008, The Department for Transport, Energy and Infrastructure (DTEI) controls the majority of TransAdelaide's non-current assets and TransAdelaide provides rail passenger services using these assets which are leased back from DTEI under two leases with 'peppercorn lease' rentals. Under the lease agreements TransAdelaide undertakes all maintenance associated with the provision of the service and is compensated under the service level agreement with DTEI.

7. Revenues from the Provision of Services

	Note	2008 \$'000	2007 \$'000
Services received by entities within SA Government		82 797	93 555
Services received by entities external to the SA Government		3 674	3 611
Total Revenues from the Provision of Services		86 471	97 166

8. Revenues from (Payments to) SA Government**(a) Revenues from SA Government**

Included in the Income Statement:

Appropriation from Consolidated Account pursuant to the
Appropriation Act

2 063	2 669
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Included in Balance Sheet movements:

Grants for capital expenditure

34	726	2 753
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(b) Payments to SA Government

Dividends paid

-	5 296
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Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and TransAdelaide's Minister.

No ordinary or special dividends were paid to the Department of Treasury and Finance for 2007-08.

9. Financial Income

	2008 \$'000	2007 \$'000
Interest received/receivable from entities within SA Government	673	1 400
Total Financial Income	673	1 400

10. Net Gain (Loss) from the Disposal of Assets	2008	2007
Rollingstock:	\$'000	\$'000
Proceeds from disposal	-	8
Less: Net book value of assets transferred	74 542	-
Less: Net book value of assets disposed	90	(95)
Net Loss from Disposal of Rollingstock	(74 632)	(87)
Permanent Way:		
Proceeds from disposal	-	-
Less: Net book value of assets transferred	175 741	-
Less: Net book value of assets disposed	38	(86)
Net Loss from Disposal of Permanent Way	(175 779)	(86)
Land and Buildings:		
Proceeds from disposal	43	18
Less: Net book value of assets transferred	221 104	-
Less: Net book value of assets disposed	36	48
Net Loss from Disposal of Land and Buildings	(221 097)	(30)
Other Property, Plant and Equipment:		
Proceeds from disposal	20	8
Less: Net book value of assets transferred	34 354	-
Less: Net book value of assets disposed	296	7
Net (Loss) Gain from Disposal of Other Property, Plant and Equipment	(34 630)	1
Investment Properties:		
Proceeds from disposal	903	1 588
Less: Net book value of assets transferred	10 121	-
Less: Net book value of assets disposed	240	1 010
Net (Loss) Gain from Disposal of Investment Properties	(9 458)	578
Assets Under Construction:		
Proceeds from disposal	-	-
Less: Net book value of assets transferred	9 548	-
Less: Net book value of assets disposed	-	-
Total Net (Loss) Gain from Disposal of Assets Under Construction	(9 548)	-
Total Assets:		
Total proceeds from disposal	965	1 622
Less: Net book value of assets transferred	525 410	-
Less: Total value of assets disposed	700	1 246
Total Net (Loss) Gain from Disposal of Assets	(525 145)	376
Total assets disposals comprise:		
Assets disposed of in the ordinary course of business:		
Total proceeds from disposal	965	1 622
Less: Total value of assets disposed	700	1 246
Total Net Gain from Disposal of Assets	265	376
Assets transferred to the Minister for Transport/DTEI:		
Total proceeds from transfer	-	-
Less: Total value of assets transferred	525 410	-
Net Loss from Transfer of Assets	(525 410)	-
Total Net (Loss) Gain from Disposal of Assets	(525 145)	376
Refer Note 6 for details of the transfer of assets.		
11. Other Revenues		
Other Revenues from Entities external to the SA Government:		
Property rental	3 183	4 250
Fair value adjustment to investment properties	-	258
Other revenue	2 548	2 290
Total Revenues from Entities external to the SA Government	5 731	6 798
Other Revenues from Entities within the SA Government:		
Other services provided to DTEI	17 483	3 071
Property rental	783	930
Amortisation of capitalised funding grants	415	521
Write-off of capitalised grants when asset disposed	-	153
Total Revenues from Entities within the SA Government	18 681	4 675
Total Other Revenues	24 412	11 473

11. Other Revenues (continued)

Future minimum payments receivable from non-cancellable operating leases of non-investment properties are:

- (i) within one year \$881 000
- (ii) between two and five years \$128 000
- (iii) later than five years \$51 000.

Leases include advertising and display sites, mobile telephone transmitters and real estate with tenancies retained by TransAdelaide on transfer of assets to the Minster for Transport.

12. Employee Benefit Expenses

	2008 \$'000	2007 \$'000
Salaries and wages	36 675	31 260
Long service leave	1 433	1 393
Annual leave	3 407	3 033
Block book off	585	564
Retiring and death gratuity	9	7
Employee on-costs - Superannuation	3 985	3 526
Employee on-costs - Payroll tax	2 741	1 796
Employee on-costs - Other	933	733
Board fees	202	138
Total Employee Benefit Expenses	49 970	42 450

TVSPs

Total TVSP payments in 2008 amounted to \$0 (\$0).

Remuneration of Employees

Total remuneration for employees greater than \$100 000

5 642 3 954

The number of employees whose remuneration falls within the following remuneration bands were:

	2008 Number of Employees	2007 Number of Employees
\$100 000 - \$109 999	18	16
\$110 000 - \$119 999	11	4
\$120 000 - \$129 999	7	3
\$130 000 - \$139 999	2	4
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	3	-
\$160 000 - \$169 999	2	1
\$170 000 - \$179 999	-	2
\$180 000 - \$189 999	2	-
\$190 000 - \$199 999	1	-
\$250 000 - \$259 999	-	1
	46	32

This 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.

13. Key Management Personnel**(a) Board Members**

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

Ms V Hickey	
Mr K Bengner	
Mr R Jowett	
Ms F Magill	Retired 2 February 2008
Ms L Kosmala	Retired 2 February 2008
Mr J Hearsch	Appointed 3 February 2008
Mr R Hook	Appointed 3 February 2008
Miss M M Starrs	Appointed 3 February 2008

(b) Other Key Management Personnel

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

Bill Watson	Retired 8 February 2008	General Manager
Randall Barry	Appointed 8 February 2008	Acting General Manager
Randall Barry		Executive Manager - Planning and Development
Suzanne Ridding	Retired 30 May 2008	Executive Manager - Corporate Services
Shaun Matters	Appointed 15 June 2008	Executive Manager - Corporate Services
Vi Nguyen		Executive Manager - Infrastructure
Fiona Kidd		Executive Manager - Organisational Development
Phillip Saunders	Appointed 25 February 2008	Executive Manager - Planning and Development
Valdis Evele		Executive Manager - Rail Systems
James Hall		Executive Manager - Trams

(c) Key Management Personnel Compensation

Key management personnel compensation for the years ended 30 June 2008 and 2007 is set out below.

The key management personnel are the board members and the senior management team (including the General Manager) who have responsibility for the strategic direction and management of TransAdelaide.

	2008 \$'000	2007 \$'000
Short-term employee benefits	1 481	1 301

(d) Remuneration of Board Members

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

	2008 Number of Board Members	2007 Number of Board Members
\$0 - \$9 999	1	1
\$10 000 - \$19 999	3	-
\$20 000 - \$29 999	2	3
\$30 000 - \$39 999	-	1
\$40 000 - \$49 999	-	1
\$50 000 - \$59 999	2	-
	8	6

The total remuneration received and receivable by those board members was \$202 000 (\$138 000) which includes fringe benefits and superannuation contributions.

Amounts paid to a superannuation plan for board members was \$45 000 (\$44 000).

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

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

Remuneration of Committee Members

The following board members were also committee members on the TransAdelaide Audit and Risk Committee:

Ms V Hickey	Mr K Bengier
Ms F Magill (retired 2 February 2008)	Miss M M Starrs (appointed 3 February 2008)

Remuneration received by board members of this committee is included in the previous table, 'Remuneration of Board Members'.

Board members Ms V Hickey and Mr K Bengier were also on the board of Transit Plus Pty Ltd in which TransAdelaide has a 50 percent interest. Board fees relating to these positions are paid to the board members by TransAdelaide and are included in the remuneration above.

14. Related Party Disclosures

TransAdelaide has a 50 percent interest in a joint venture entity Transit Plus Pty Ltd. TransAdelaide received an annual management fee of \$125 600 (\$126 000) and profit distributions from the joint venture entity of \$835 000 (\$816 000).

15. Supplies and Services

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

	2008 \$'000	2007 \$'000
Security	2 072	1 489
Rollingstock maintenance	9 734	9 988
Rollingstock fuel and power	11 192	9 453
Other supplies and services	29 359	17 838
Total Supplies and Services - Non-SA Government Entities	52 357	38 768

Supplies and Services provided by Entities within SA Government:

Accommodation and telecommunication	733	1 957
Information technology expenses	31	-
Audit fee	160	165
Legal costs	49	32
Accreditation fees	185	81
Contract supplies and maintenance	339	-
Vehicle leasing and fuel costs	1 066	527
Insurance	441	604
Security	416	409
Other supplies and services	11	581
Total Supplies and Services - SA Government Entities	3 431	4 356
Total Supplies and Services	55 788	43 124

Consultants

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

	2008 Number	2008 \$'000	2007 Number	2007 \$'000
Below \$10 000	27	88	3	18
\$10 000 - \$50 000	10	309	1	14
Above \$50 000	2	224	1	81
Total paid/payable to the Consultants Engaged	39	621	5	113

Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department

	2008 \$'000	2007 \$'000
Audit fees paid/payable to the Auditor-General's Department	160	165
Total Auditor's Remuneration	160	165

Other Services

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

16. Depreciation and Amortisation Expense

Depreciation:

Rollingstock	6 200	8 125
Permanent way	3 792	7 578
Buildings	1 323	2 673
Other property, plant and equipment	804	1 332
Total Depreciation	12 119	19 708

Amortisation:

Intangible assets	85	98
Total Amortisation	85	98
Total Depreciation and Amortisation Expense	12 204	19 806

17. Borrowing Costs

Interest on borrowings

Treasury guarantee fee

Interest on borrowings	2 302	4 922
Treasury guarantee fee	211	489
Borrowing Costs - SA Government	2 513	5 411
Total Borrowing Costs	2 513	5 411

18. Other Expenses

Other Expenses paid/payable to Entities external to the SA Government:

Write-down of inventories to net realisable value

Property, plant and equipment write-offs

Total Other Expenses - Non-SA Government

Write-down of inventories to net realisable value	27	37
Property, plant and equipment write-offs	-	1 584
Total Other Expenses - Non-SA Government	27	1 621

19. Income Tax Equivalent Expense

(Loss) Profit before income tax expense

Prima facie tax (if profit) thereon at 30 percent

Income Tax Equivalent Expense - SA Government

(Loss) Profit before income tax expense	(454 888)	1 614
Prima facie tax (if profit) thereon at 30 percent	-	(484)
Income Tax Equivalent Expense - SA Government	-	(484)

20. Cash and Cash Equivalents

Cash at bank

Imprest account/cash on hand

Cash at bank	4 105	20 634
Imprest account/cash on hand	37	36
Total Cash and Cash Equivalents	4 142	20 670

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 and cash equivalents represents fair value.

21. Receivables

Current:

Gross accrued income

Less: Provision for doubtful debts

Tax equivalent refund

Prepayments

GST receivable

Total Receivables

	2008 \$'000	2007 \$'000
Gross accrued income	8 632	2 001
Less: Provision for doubtful debts	4	4
Tax equivalent refund	-	210
Prepayments	6	186
GST receivable	134	-
Total Receivables	8 768	2 393

Receivables from SA Government Entities:

Accrued income

DTEI capital works/service recharge

Tax equivalent refund

Prepayments

Total Receivables from SA Government Entities

Accrued income	2 354	537
DTEI capital works/service recharge	5 206	-
Tax equivalent refund	-	210
Prepayments	6	34
Total Receivables from SA Government Entities	7 566	781

21. Receivables (continued)	2008	2007
Receivables from Non-SA Government Entities:	\$'000	\$'000
Accrued income	1 072	1 464
Less: Provision for doubtful debts	4	4
Prepayments	-	152
GST receivables	134	-
Total Receivables from Non-SA Government Entities	1 202	1 612
Total Receivables	8 768	2 393

The total receivable figure does not include 'non-current receivables' as TransAdelaide does not have any receivables that meet the definition of non-current. Any 'non-current receivables' would be disclosed in this Note.

Provision for Doubtful Debts

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

	2008	2007
Movements in the provision for doubtful debts:	\$'000	\$'000
Carrying amount at 1 July	4	182
Amounts written off	-	(20)
Reduction in provision for amounts recovered	-	(158)
Carrying Amount at 30 June	4	4

Bad and Doubtful Debts

TransAdelaide has recognised a bad and doubtful debt expense of \$nil (\$nil) in the Income Statement.

22. Inventories	2008	2007
	\$'000	\$'000
Stores inventories	4 947	4 886
Less: Provision for obsolescence	-	-
Net Stores Inventories	4 947	4 886

23. Property, Plant and Equipment		
ROLLINGSTOCK:		
Railcars:		
Spare parts and associated equipment at fair value	-	5 184
Less: Accumulated depreciation	-	2 182
Railcar Equipment at Fair Value	-	3 002
Railcars at fair value	-	1 970
At independent valuation 1 July 2004	204 195	402 500
Less: Accumulated depreciation	85 601	214 581
Railcars at Valuation	118 594	189 889
Total Railcars	118 594	192 891
Tramcars:		
Spare parts at fair value	-	79
Less: Accumulated depreciation	-	33
Tramcar Spares at Fair Value	-	46
Tramcars at fair value	-	243
At independent valuation 1 July 2004	-	17 375
Less: Accumulated depreciation	-	14 632
Tramcars at Valuation	-	2 986
Total Tramcars	-	3 032
TOTAL ROLLINGSTOCK	118 594	195 923
LAND AND BUILDINGS:		
Freehold Land:		
At fair value	-	1 388
At independent valuation 1 July 2004	-	131 432
Total Land	-	132 820
Buildings:		
At fair value	-	7 819
At independent valuation 1 July 2004	-	183 439
Less: Accumulated depreciation	-	101 735
Total Buildings	-	89 523
TOTAL LAND AND BUILDINGS	-	222 343

23. Property, Plant and Equipment (continued)	2008	2007
PERMANENT WAY:	\$'000	\$'000
At fair value	-	27 621
At independent valuation 1 July 2004	-	376 866
Less: Accumulated depreciation	-	204 517
TOTAL PERMANENT WAY	-	199 970
OTHER PROPERTY, PLANT AND EQUIPMENT:		
At fair value	2 465	19 722
Less: Accumulated depreciation	1 653	11 349
TOTAL OTHER PROPERTY, PLANT AND EQUIPMENT	812	8 373
ASSETS UNDER CONSTRUCTION:		
Rollingstock:		
Railcars	375	1 857
Land and buildings	-	4 885
Permanent way	-	4 718
Other property, plant and equipment	761	694
TOTAL ASSETS UNDER CONSTRUCTION	1 136	12 154
TOTAL PROPERTY, PLANT AND EQUIPMENT	120 542	638 763
Carrying amounts of Property, Plant and Equipment that would have been recognised if these assets were stated at cost:		
Rollingstock	75 233	91 383
Land and buildings	-	70 578
Permanent way	-	97 425
Other property, plant and equipment	2 189	8 613
TOTAL PROPERTY, PLANT AND EQUIPMENT AT COST	77 422	267 999

During the current financial year, the majority of rail specific assets including land, buildings, plant, equipment and other tangible property owned by TransAdelaide were transferred to the DTEI. Refer Note 27 for details of assets transferred.

All major non-current assets are revalued every five years on an existing use, fair value basis in the financial statements at the revalued amounts.

The most recent independent valuation was undertaken by Valuations Chambers during 2004-05 financial year and included the major asset classes being trams, trains, land, buildings and permanent way.

In accordance with South Australian State Treasurer's APF, TransAdelaide has assessed that assets recorded at cost reflect fair value where such assets have not been independently revalued.

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

24. Investment Property	2008	2007
	\$'000	\$'000
Opening balance at fair value	10 322	11 074
Less: Disposals	(240)	(1 010)
Less: Transfer to the Minister for Transport/DTEI	(10 082)	-
Net gain from fair value adjustment	-	258
Restated Closing Balance at Fair Value	-	10 322

In November 2007, Cabinet approved the transfer of assets from TransAdelaide to the Minister for Transport. In December 2007 the Governor, by proclamation with the advice and consent of the Executive Government under Schedule 4 clause 3 of the *Passenger Transport Act 1994*, transferred real and personal property from TransAdelaide to the Minister for Transport, as such all Investment properties held at 1 January 2008 were transferred to the Minister for Transport. A further revaluation was conducted of the disused railway corridor land located between Dry Creek and Pooraka resulting in an increment based on the Valuer-General's valuation. One parcel of land in the corridor was sold prior to the asset transfer.

Valuation Basis

Investment properties are measured at fair value, being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar property. A valuation was performed by Valuation Chambers in the 2004-05 financial year.

25. Intangible Assets	2008	2007
Computer Software:	\$'000	\$'000
Internally developed computer software	107	87
Less: Accumulated amortisation	76	49
Other computer software	1 110	1 185
Less: Accumulated amortisation	1 028	1 067
Total Intangible Assets	113	156

26. Investments Accounted for using the Equity Method**Ownership Interest**

Joint Venture:

Transitplus Pty Ltd

2008 Percent	2007 Percent
50	50

Investment in Related Entities:

Transitplus Pty Ltd

2008 \$'000	2007 \$'000
200	200
200	200

Principal Activities:

Transitplus Pty Ltd - Provision of bus services

Investment in Transitplus Pty Ltd:

Carrying amount at 1 July

Share of net profit

Less: Distributions received or receivables

Carrying Amount at 30 June

2008	2007
200	200
961	942
961	942
200	200

In TransAdelaide's financial statements the investment in joint venture entity is carried at the lower of cost or recoverable amount. TransAdelaide's share of the joint venture entity's net profit or loss is recognised in the Income Statement from the date joint control commenced.

The economic entity's investment in joint venture entity is based upon the equity method of accounting for investment in associates as per AASB 128

27. Reconciliation of Asset Carrying Amounts

	Rolling- stock \$'000	Land and Buildings \$'000	Permanent Way \$'000	Other PP&E \$'000	Assets Under Const- ruction \$'000	Total Property Plant and Equipment \$'000
Carrying amount at 1 July	195 923	222 343	199 970	8 373	12 154	638 763
Transfers	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-
Restated Carrying Amount at 1 July	195 923	222 343	199 970	8 373	12 154	638 763
Additions	-	1 280	-	838	9 037	11 155
WIP write-offs	-	-	-	-	(73)	(73)
Disposals	(90)	(36)	(38)	(74)	-	(238)
Transfers to DTEI	(74 542)	(221 104)	(175 741)	(34 354)	(9 548)	(515 289)
Transfers	3 503	(1 160)	(20 399)	27 055	(10 434)	(1 435)
Changes in accounting policy	-	-	-	(222)	-	(222)
Depreciation	(6 200)	(1 323)	(3 792)	(804)	-	(12 119)
Carrying Amount at 30 June	118 594	-	-	812	1 136	120 542

	Investment Property \$'000	Intangible Assets \$'000	Total Non- Current Assets \$'000
Carrying amount at 1 July	10 322	156	649 241
Transfers	-	-	-
Change in accounting policy	-	-	-
Restated Carrying Amount at 1 July	10 322	156	649 241
Additions	-	42	11 197
WIP write-offs	-	-	(73)
Disposals	(240)	-	(478)
Transfers DTEI	(10 121)	-	(525 410)
Transfers	39	-	(1 396)
Changes in accounting policy	-	-	(222)
Depreciation	-	(85)	(12 204)
Carrying Amount at 30 June	-	113	120 655

New assets resulting from completed assets under construction have been treated as transfers and subsequently reported in the transfer to DTEI within the relevant asset class.

28. Payables

Current:

Creditors

Accrued expenses

Accrued employment on-costs

GST payable

2008 \$'000	2007 \$'000
4 478	4 640
3 228	4 588
685	698
-	36
8 391	9 962

Expected to be paid more than 12 months after reporting date:

Employment on-costs

Total Current Payables

2008 \$'000	2007 \$'000
1 459	922
9 850	10 884

28. Payables (continued)	2008	2007
Payables to SA Government Entities:	\$'000	\$'000
Creditors	261	544
Accrued expenses	599	831
Employment on-costs	2 144	1 620
Total Payables to SA Government Entities	3 004	2 995
Payables to Non-SA Government Entities:		
Creditors	4 217	4 096
Accrued expenses	2 629	3 757
GST payable	-	36
Total Payables to Non-SA Government Entities	6 846	7 889
Total Payables	9 850	10 884

29. Financial Instruments/Financial Risk Management

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 expense are recognised with respect to each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2.

Category of Financial Asset and Liability

	Note	2008		2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets		\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	20	4 142	4 142	20 670	20 670
Receivables:					
Loans and receivables ⁽¹⁾	21	8 768	8 768	2 393	2 393
Investments in Transitplus:					
Held to maturity investments	26	200	200	200	200
Total Financial Assets - At Cost		13 110	13 110	23 263	23 263
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables ⁽¹⁾	28	9 850	9 850	10 884	10 884
Borrowings/Interest bearing liabilities	30	-	-	75 205	75 205
Other financial liabilities	33	702	702	9 006	9 006
Total Financial Liabilities		10 552	10 552	95 095	95 095

(1) All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate. The fair value of all financial assets and liabilities is represented by their carrying amount.

Credit Risk

Credit risk arises when there is the possibility of TransAdelaide's debtors defaulting on their contractual obligations resulting in financial loss to TransAdelaide. TransAdelaide measures credit risk on a fair value basis and monitors risk on a regular basis. TransAdelaide has minimal concentration of credit risk. TransAdelaide has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In 2007-08 TransAdelaide has not engaged in any hedge activities.

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

Ageing Analysis of Financial Assets

	Past Due By			Total
	Overdue for less than 30 Days	Overdue for 30-60 Days	Overdue for more than 60 Days	
2008	\$'000	\$'000	\$'000	\$'000
Not Impaired:				
Receivables	8 446	27	291	8 764
Impaired:				
Receivables	-	-	4	4
2007				
Not Impaired:				
Receivables	1 805	45	539	2 389
Impaired:				
Receivables	-	-	4	4

(1) All items above are carried at cost.

Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalent	4 142	4 142	-	-
Receivables	8 768	8 768	-	-
Other financial assets	200	200	-	-
Total Financial Assets	13 110	13 110	-	-
Financial Liabilities:				
Payables	9 850	9 850	-	-
Other financial liabilities	702	702	-	-
Total Financial Liabilities	10 552	10 552	-	-
2007				
Financial Assets:				
Cash and cash equivalent	20 670	20 670	-	-
Receivables	2 393	2 393	-	-
Other financial assets	200	200	-	-
Total Financial Assets	23 263	23 263	-	-
Financial Liabilities:				
Payables	10 884	10 884	-	-
Borrowings	75 205	75 205	-	-
Other financial liabilities	9 006	9 006	-	-
Total Financial Liabilities	95 095	95 095	-	-

Liquidity Risk

Liquidity risk arises where TransAdelaide is unable to meet its financial obligations as they fall due. The continued existence of TransAdelaide is dependent on maintaining a service level agreement with the Transport Division of DTEI and the funding that flows.

Market Risk

Market risk for TransAdelaide is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. TransAdelaide has no exposure to foreign currency or other price risks.

Sensitivity Disclosure Analysis

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

Credit Standby Arrangements

TransAdelaide has a \$752 000 (\$687 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2008 was \$693 000 (\$573 000).

30. Borrowings and Debt Forgiven	2008	2007
	\$'000	\$'000
Opening balance - 1 July	75 205	75 205
Less: Repayment	8 071	-
Less: Debt forgiven	67 134	-
Balance - 30 June	-	75 205

As a result of the rail specific assets transferred to the Minister for Transport/DTEI, the Treasurer approved that borrowings owed to the Department of Treasury and Finance were forgiven. The debt forgiven is shown as a revenue item and included as part of the restructure/net asset transfer and write-off.

31. Employee Benefits	2008	2007
	\$'000	\$'000
Current:		
Annual leave	2 850	3 021
Long service leave	990	903
Block book off	899	783
Retiring and death gratuity	6	19
Total Current Employee Benefits Provisions	4 745	4 726
Accrued wages and salaries	1 610	1 213
	6 355	5 939
Expected to be paid more than 12 months after reporting date:		
Annual leave	2 075	1 604
Retiring and death gratuity	93	84
Total Short-term Employee Benefits	8 523	7 627

31. Employee Benefits (continued)	2008	2007
Non-Current:	\$'000	\$'000
Long service leave	11 230	11 094
Total Long-term Employee Benefits	11 230	11 094
Total Employee Benefits	19 753	18 721
Employee benefits as above	19 753	18 721
Add: Related on-costs included in current payables	2 144	1 620
Aggregate Employee Benefits plus Related On-Costs	21 897	20 341

32. Provisions		
Current:		
Workers compensation claims	1 066	1 399
Third party accident damage	671	975
Railcar maintenance debt	276	281
Total Short-term Provisions	2 013	2 655
Non-Current:		
Workers compensation claims	7 099	7 785
Third party accident damage	3 784	2 735
Total Long-term Provisions	10 883	10 520
Total:		
Workers compensation claims	8 165	9 184
Third party accident damage	4 455	3 710
Railcar maintenance debt	276	281
Total Provisions	12 896	13 175

(a) Reconciliation of Provisions Movements

	Workers Compensation Claims \$'000	Third Party Accident Damage \$'000	Railcar Maintenance Debt \$'000	Total \$'000
Carrying amount at 1 July	9 184	3 710	281	13 175
Recognised provision in 2007-08	(36)	871	-	835
Less: Payments made in 2007-08	983	126	5	1 114
Movement	(1 019)	745	(5)	(279)
Carrying Amount at 30 June	8 165	4 455	276	12 896

Workers Compensation

This liability reflects unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of outstanding claims by Brett & Watson Pty Ltd at 30 June 2008.

Third Party Accident Damage

This liability reflects TransAdelaide's partial self insurance for this operational risk. The third party accident damage provision is based on an actuarial assessment of outstanding claims performed by Brett & Watson Pty Ltd as at 30 June 2008. TransAdelaide has reinsurance for claims exceeding \$2.1 million for claims prior to 1 July 1997 and exceeding \$1 million for claims since 1 July 1997.

Railcar Maintenance Debt

This liability relates to work being performed by Bombardier Transportation Ltd on the 2000 and 3000 class bogies for which, under the Railcar maintenance and service contract, TransAdelaide has agreed to pay a portion.

33. Other Liabilities	2008	2007
Current:	\$'000	\$'000
Revenue received for future services:		
From entities with SA Government	702	207
From entities external to the SA Government	-	64
Total Current Other Liabilities	702	271

34. Government Grants		
Non-Current:		
Capital grants from entities within the SA Government:		
Grants received	10 451	9 726
Less: Accumulated amortisation	1 406	991
Less: Recognised on disposal of assets	9 045	-
Total Government Grants	-	8 735

34. Government Grants (continued)	2008	2007
Movement in Government Grants:	\$'000	\$'000
Carrying amount at 1 July	8 735	6 656
Additional capital grants received	726	2 753
Amortisation	(416)	(521)
Written back on disposal of asset	-	(153)
Written back on asset transfer*	(9 045)	-
Carrying Amount at 30 June	-	8 735

In accordance with AASB 120, government grants received for capital expenditure are amortised over the life of the resulting asset. During the current financial year TransAdelaide received such grants for work performed on the Marion Oaklands Transport Interchange.

* The accounting policies adopted and the description of capital grants received by TransAdelaide is disclosed in Note 2. Normally capital grants are deferred and amortised over the life of the non-current assets. For non-current assets transferred to the Minister of Transport/DTEI, as TransAdelaide no longer controls those assets the capital funding previously deferred (\$9.045 million) has been written back to revenue and shown as part of the restructure/net asset transfer and write-off.

35. Reserves	2008	2007
	\$'000	\$'000
Asset revaluation reserve	51 170	469 278
Movements During the Year		
Balance at 1 July	469 278	474 510
Restated Balance at 1 July	469 278	474 510
Transferred to retained profits amounts realised on disposal of:		
Land and buildings	(192 335)	(5)
Infrastructure	(158 638)	(485)
Rollingstock	(67 135)	(4 742)
Restated Reserves at 30 June	51 170	469 278

Nature and Purpose of Reserves

The asset revaluation reserve includes the net revaluation increments (decrements) arising from the revaluation of non-current assets in accordance with AASB 116. Asset decrements are expensed where no previous revaluation reserve increment exists for that asset.

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to retained profits.

36. Commitments	2008	2007
Capital Commitments	\$'000	\$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	7 015	1 056
Total Capital Commitments	7 015	1 056
Net Capital Expenditure Incurred	11 179	20 001

TransAdelaide's capital commitments are for the refurbishment of the railcars subject to cross border leases that were retained as TransAdelaide assets and minor Information Systems improvements.

Remuneration Commitments

Within one year	1 792	1 699
Later than one year but not later than five years	3 099	1 160
Total Remuneration Commitments	4 891	2 859

Amounts disclosed include commitments arising from executive and other service contracts. TransAdelaide does not offer 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:

Not later than one year	869	501
Later than one year but not later than five years	565	365
Total Operating Lease Commitments	1 434	866
Operating Lease Expenses Paid	2 076	1 966

TransAdelaide leases property under operating leases expiring from one month to four years. The leases generally provide TransAdelaide with a right of renewal at which time all terms are negotiated. Contingent rental payments are based upon either movements in the CPI or operating criteria.

37. Contingent Assets and Contingent Liabilities

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The life of various elements of the indemnities vary between one and six years from when AUSTRICS was sold in 2004-05. As at balance date, this could not be reliably measured.

TransAdelaide has fifty 3000/3100 class railcars subject to a cross border lease which expires in April 2023. Encumbrances exist within this agreement which give rise to financial consequences in the event of loss or destruction of these leased railcar assets. The South Australian Government Financing Authority monitor the majority of foregoing obligations. To balance date, no event has occurred which would give rise to the encumbrances/consequences.

38. Reconciliation of Cash and Cash Equivalents

	2008	2007
	\$'000	\$'000
(a) Reconciliation of Cash		
Cash at 30 June	4 142	20 670
(b) Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss) from Ordinary Activities after related Income Tax Expense		
Net (loss) profit	(5 657)	1 130
Add (Less): Non-cash Items:		
Depreciation	12 119	19 708
Amortisation	85	98
Gain on disposal of assets	(265)	(376)
Amortisation of grant funding	(415)	(521)
Write-back of unamortised capital grants on disposal of underlying assets	-	(153)
Write-off of work in progress project	73	1 584
Revaluation increments	-	(258)
Net Cash provided by Operating Activities before Change in Assets and Liabilities	5 940	21 212
Movements in:		
Receivables	(6 375)	157
Stores inventories	(61)	(577)
Payables	1 037	(1 656)
Interest payable	-	(23)
Employee benefits provisions	(1 032)	544
Other provisions	279	(215)
Other liabilities	1 843	2 604
Net Cash provided by Operating Activities after Related Income Tax Equivalent Expense	1 631	22 046

The effective interest rate on cash deposits held throughout the year was 6.57 percent.

39. After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of TransAdelaide, to affect significantly the operations of TransAdelaide, the results of those operations, or the state of affairs of TransAdelaide in future financial years.

DEPARTMENT FOR TRANSPORT, ENERGY AND INFRASTRUCTURE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department for Transport, Energy and Infrastructure (the Department) is an administrative unit established pursuant to the PSM Act.

Functions

The Department has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning for South Australia. Its functions include:

- providing leadership in the development of transport options by providing policy, planning and investment advice to assist the Government to achieve its strategic objectives
- delivering and supporting safe, sustainable and secure transport that underpins the economic and social growth of South Australia
- providing improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility to enhance the quality of life of all South Australians
- providing policy advice on energy issues, and delivering energy programs and regulatory services for the competitive, safe and reliable supply and use of energy, for the benefit of the South Australian community, including an efficient transition towards a sustainable energy future
- identifying strategic infrastructure priorities for the State, coordinate infrastructure planning and development across government and facilitate timely delivery of key projects that support the economic and social development of the State
- providing project risk management, building asset management, procurement and contract services
- delivering capital building works and major projects
- providing information technology policy, support and management services
- regulating the access, behaviour and security of transport system users
- providing land valuation, survey and registration.

STATUS OF THE FINANCIAL REPORT

The Department submitted its financial report to the Auditor-General within the statutory timeframes for presentation and the audit of the financial statements has progressed satisfactorily.

At the time of preparation of this Report a bank account associated with the Department's revenue function was not reconciled and the Department has delayed finalising the financial statements until it has satisfactorily addressed the reconciliation.

The audited financial report of the Department for Transport, Energy and Infrastructure for the year ended 30 June 2008 will be included in a Supplementary Audit Report to Parliament.

DEPARTMENT OF TREASURY AND FINANCE

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Treasury and Finance (the Department) is an administrative unit established under the PSM Act, and is responsible to the Treasurer.

Functions

The Government, through the Treasurer and the Department, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level
- managing whole-of-government financial management processes
- providing a range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA
- raising and managing the State's debt funding and managing and insuring Government risk through the South Australian Government Financing Authority (SAFA)
- administering public sector superannuation through the State Superannuation Office (Super SA)
- management of Fleet SA, whole-of-government contract services and support for the State Procurement Board
- implementing Shared Services reform.

Shared Services SA

Shared Services SA was created on 15 October 2007 as part of the Department and responsible to the Under Treasurer to operate as the Government's shared services provider. The first group of agency services transitioned into Shared Services SA on 31 March 2008.

For details of the Department's objectives refer to Note 1 of the financial report.

Administered Funds

The Department administers but does not control certain funds on behalf of the Treasurer. Further details are provided in the Statement of Administered Income and Expenses, Statement of Administered Assets and Liabilities, Statement of Changes in Administered Equity and Statement of Administered Cash Flows appearing in the Department's financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

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

Scope of Audit

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

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

Corporate Systems

- expenditure
- payroll
- revenue
- financial accounting.

RevenueSA

- financial accounting and recording systems for tax collections
- Emergency Services Levy (ESL) collection system
- first home owners grant applications and disbursements
- compliance services for all taxes.

State Procurement and Support Operations

- Contract and Procurement Services:
 - warehouse closure
 - gaming machine purchases and recoveries.
- Fleet SA:
 - fleet revenue
 - motor vehicle expenditure
 - motor vehicle assets.

Shared Services

Obtaining understanding of new organisational arrangements and developments in progress. In addition reviewing the external service provider computer processing bureau security assessment for the CHRIS Human Resource Management System (HRMS).

Financing and Insurance Services

Commentary in respect of these activities is included in the section of Part B of this Report covering SAFA.

Superannuation Services

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Superannuation Board.

Public Finances

In addition, Audit undertakes ongoing work with respect to various aspects of the public finances. These matters are primarily reported in Part C of this Report, and the Treasurer's Statements are an Appendix to Part B of this Report.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

Assessment of Controls

In my opinion, the controls exercised by the Department of Treasury and Finance in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, are sufficient to provide reasonable assurance that the financial transactions of the Department of Treasury and Finance 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 Under Treasurer. Responses to the management letters were generally considered to be satisfactory. The audit indicated that in most cases there was a satisfactory control environment in place. There were, however, some areas where minor improvements could be made to controls and instances were noted where established controls were not being applied. In response the Department indicated that each of the matters raised had either been resolved, or that steps had been put in place to implement the Audit recommendations. The following outlines some specific matters raised with the Department and the related responses.

Corporate Systems

Audit reported a need for the Department to:

- commence work on its next 3 year Information, Communication and Technology Strategic Plan, especially in light of the transfer of Department for Administrative and Information Services (DAIS) business units to the Department in January 2007 and the implementation of the Government's shared services initiative
- integrate the DAIS subsidiary systems with the Department's general ledger, thereby enabling the decommissioning of the DAIS general ledger.

In response, the Department indicated that each of the matters raised had either been resolved, or that steps had been put in place to implement the Audit recommendations.

Fleet SA

Depreciation of Motor Vehicles

Audit observed that depreciation of motor vehicles was calculated on the original carrying amount, rather than the impaired carrying amount, as required by AASB 136.

This error was corrected as part of the preparation of the 2007-08 financial report (refer Note 7).

Policies and Procedures

The audit identified the need for Fleet SA to review its existing policy and procedure documents against the requirements of TI 2.

In response, the Department advised that policies and procedures will be reviewed against the requirements of TI 2 and documentation prepared for any gaps identified. This project is scheduled for completion in December 2008.

Government Accounting and Reporting (GAR) Branch

Responsibilities of the GAR Branch include the appropriation process, recording the activities of the Consolidated Account and the balances of the Treasurer's Deposit Accounts and Treasurer's Loans.

Accrual Appropriation Excess Funds Account

The last three reports have included comments on the nature and operation of the Accrual Appropriation Excess Funds Account (the Account). It is a Special Deposit Account holding funds at 30 June 2008 totalling \$415 million.

The comments in last year's report related to the process for depositing required funds into the Account.

During 2007-08 a follow-up review was undertaken of action taken to address the matters raised by Audit. The follow-up review revealed processes were operating satisfactorily.

Approval of Funding from Treasurer's Contingency Provisions

Audit observed that the Honourable M J Atkinson, MP, as Acting Treasurer, approved funding from the Contingency Provisions totalling \$2.1 million on 30 January 2008.

The Honourable M J Atkinson, MP, was appointed Acting Treasurer for the period 12 to 29 January 2008 inclusive.

Audit recommended that the submissions for funding from Contingency Provisions be resubmitted to the Treasurer for approval and that Ministers acting as Treasurer be made aware of the terms of their appointment.

In response, the Department indicated that Audit recommendations would be implemented.

Shared Services SA

Payroll/personnel (CHRIS HRMS) functions for whole-of-government agencies and health units are processed at a bureau service managed by an external service provider. Prior to January 2008, separate Bureau Service Agreements with the service provider were managed by the Department of Health and the Department for Transport, Energy and Infrastructure. With the payroll/personnel functions of whole-of-government being transferred to Shared Services SA, a new Bureau Services Agreement was established in January 2008 between the Minister for Finance and the service provider.

During the year, a security assessment of the bureau computer processing environment was undertaken by an external consulting firm.

Audit reviewed the security assessment report and the initial response to the report recommendations from the service provider.

Key matters from the audit review raised with the Department were:

- determining the appropriate security upgrade management policy applicable within government and the appropriate procedure for applicability of that policy to external service providers
- management and resolution of certain issues raised in the security assessment report, including:
 - web and production servers supporting the HRMS were missing several security patches, some with a critical severity rating from the operating system providers
 - server provider networks have unfiltered access to HRMS production networks
 - potential segregation of duties issue for certain service provider employees assigned privileged access to perform system management functions
 - a detailed disaster recovery test plan is yet to be agreed and scheduled.
- consideration of performance of subsequent security assessments of the bureau computer processing environment.

In response, the Department indicated that some of the matters raised were already in the process of being addressed, while actions regarding subsequent security assessments will be undertaken.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The Department was subject to organisational changes during 2006-07. Notes 2.3 and 29 of the financial report provide details (including financial details) of the changes. As a result only highlights from the financial report are presented below. The significant increases in the Income Statement areas reflects the effects of the changes.

Highlights of the Financial Report

	2008 \$'million	2007 \$'million
INCOME		
Revenue from fees and charges	165.6	98.3
Other revenue	3.4	1.7
Total Income	169.0	100.0
EXPENSES		
Employee benefits costs	85.0	63.3
Supplies and services	99.2	62.1
Depreciation and amortisation expense	45.6	24.5
Other expenses	15.7	11.8
Total Expenses	245.5	161.7
Net Cost of Providing Services	(76.5)	(61.7)

	2008 \$'million	2007 \$'million
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT		
Revenues from SA Government	83.2	60.8
Payments to SA Government	(6.5)	-
NET RESULT BEFORE RESTRUCTURE AND TAX	0.2	(0.9)
Net revenue from administrative restructure	-	11.4
Income tax equivalents	(0.4)	(0.2)
NET RESULT AFTER RESTRUCTURE AND TAX	(0.2)	10.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	40.0	50.3
ASSETS		
Current assets	167.9	95.2
Non-current assets	122.9	173.2
Total Assets	290.8	268.4
LIABILITIES		
Current liabilities	85.1	28.1
Non-current liabilities	188.1	222.4
Total Liabilities	273.2	250.5
EQUITY	17.6	17.9

FURTHER COMMENTARY ON OPERATIONS

Shared Services SA

During 2007-08 Shared Services SA commenced implementation of shared services with the transfer of the Department's Corporate Finance branch and State Procurement and Support Operations (SPSO) branch employees to the new shared services environment. In 2008-09 the first transitions from other public sector agencies will begin. Refer Note 35 of the financial report.

The Program Schedule of Expenses and Income for 2008 shows that Shared Services (program 3) incurred a net cost of providing services of \$17.6 million in 2007-08. After net revenues from government of \$18 million, which included \$1.9 million of a cash alignment policy repayment, the net result before restructure was \$434 000.

As transition of services and employees from other agencies to Shared Services SA progresses, minor assets such as computers, together with the Balance Sheet liabilities for accrued employee entitlements and cash to meet those liabilities, will be transferred to the Department.

Shared services will recover its costs through unit pricing, meaning that revenue is directly dependent on the level of services provided.

State Procurement and Support Operations

State Procurement and Support Operations were transferred to the Department effective from 1 January 2007. The Program Schedule of Expenses and Income for 2008 shows that State Procurement and Support Operations (program 4) incurred a net cost of providing services of \$16.4 million in 2007-08, the first full year of operating in the Department. After revenues from Government of \$15.1 million, the net result before restructure was a loss of \$1.3 million.

State Fleet

A major part of State Procurement and Support Operations is State Fleet operations. As at 30 June 2008 there were 8481 (8555) vehicles in the fleet, with a fair value of \$201.7 million (\$205.6 million). The fleet is financed by borrowings from SAFA. Borrowings amounted to \$227.9 million (\$203.9 million). Under current government policy, vehicles are generally sold at the earlier of 60 000 kilometres or three years. Vehicles are classified as current or non-current in the Balance Sheet, depending on when they are due for replacement.

Supply SA Warehouses

State procurement and support operations also include the activities of Supply SA.

Progressively throughout 2007-08, Supply SA wound down warehouse operations at its Whyalla and Camden Park sites. On 1 July 2008, SA Health assumed responsibility of the Camden Park site. This included the transfer of 21 FTEs, employee benefit liabilities, lease for the premises and associated assets. Refer Note 35 of the financial report.

Income Statement for the year ended 30 June 2008

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits expenses	5	85 036	63 298
Supplies and services	6	99 162	62 136
Depreciation and amortisation expense	7	45 591	24 491
Borrowing costs	8	13 625	6 291
Other expenses	9	2 081	5 514
Total Expenses		245 495	161 730
INCOME:			
Revenues from fees and charges	11	165 631	98 289
Interest revenues	12	129	68
Net gain from disposal of non-current assets and other assets	13	2 746	1 252
Other revenues	14	486	388
Total Income		168 992	99 997
NET COST OF PROVIDING SERVICES		(76 503)	(61 733)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	15	83 196	60 818
Payments to SA Government	15	(6 466)	-
NET RESULT BEFORE RESTRUCTURE		227	(915)
Net revenue from administrative restructure	29	-	11 363
NET RESULT AFTER RESTRUCTURE		227	10 448
Income tax equivalents	16	450	162
NET RESULT AFTER RESTRUCTURE AND TAX		(223)	10 286

Net result after restructuring and tax is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	17	58 775	31 590
Receivables	18	18 259	16 744
Inventories	19	-	2 400
Property, plant and equipment	21	86 779	41 351
		163 813	92 085
Non-current assets classified as held-for-sale	20	4 133	3 099
Total Current Assets		167 946	95 184
NON-CURRENT ASSETS:			
Receivables	18	-	136
Property, plant and equipment	21	118 313	166 861
Intangible assets	22	4 543	6 187
Total Non-Current Assets		122 856	173 184
Total Assets		290 802	268 368
CURRENT LIABILITIES:			
Payables	23	11 974	17 792
Borrowings	24	62 462	376
Employee benefits	25	7 901	7 308
Provisions	26	616	720
Other current liabilities	27	407	776
		83 360	26 972
Liabilities directly associated with non-current assets held-for-sale		1 768	1 121
Total Current Liabilities		85 128	28 093
NON-CURRENT LIABILITIES:			
Payables	23	1 571	1 558
Borrowings	24	165 823	204 273
Employee benefits	25	17 375	16 242
Provisions	26	410	333
Other non-current liabilities	27	2 849	-
Total Non-Current Liabilities		188 028	222 406
Total Liabilities		273 156	250 499
NET ASSETS		17 646	17 869
EQUITY:			
Asset revaluation reserve	28	108	108
Retained earnings	28	17 538	17 761
TOTAL EQUITY		17 646	17 869

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	30
Contingent assets and liabilities	31

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

		Asset Revaluation Reserve	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2006		108	6 730	6 838
Net result after restructure and tax for 2006-07		-	12 019	12 019
Total recognised income and expense for 2006-07		-	12 019	12 019
Balance at 30 June 2007	28	108	18 749	18 857
Error Correction		-	(988)	(988)
Restated Balance at 30 June 2007		108	17 761	17 869
Net result after restructure and tax for 2007-08		-	(223)	(223)
Total recognised income and expenses for 2007-08		-	(223)	(223)
Balance at 30 June 2008	28	108	17 538	17 646

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

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefit payments		(82 893)	(61 383)
Payments for supplies and services		(103 304)	(57 972)
Interest paid		(13 625)	(6 291)
GST payments on purchases		(19 587)	(12 544)
GST remitted to ATO		(22 986)	(11 374)
Cash used in Operations		(242 395)	(149 564)
CASH INFLOWS:			
Fees and charges		162 192	102 047
Interest received		123	118
Proceeds from restructuring activities		-	12 720
GST receipts on receivables		22 297	13 215
GST input tax credits		20 738	10 665
Other receipts		293	388
Cash generated from Operations		205 643	139 153
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		83 196	60 818
Payments to SA Government		(6 466)	-
Income tax equivalents paid		-	(106)
Cash generated from SA Government		76 730	60 712
Net Cash provided by Operating Activities	33(b)	39 978	50 301
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(80 483)	(56 725)
Purchase of intangible assets		(807)	(293)
Cash used in Investing Activities		(81 290)	(57 018)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		44 214	29 020
Cash generated from Investing Activities		44 214	29 020
Net Cash used by Investing Activities		(37 076)	(27 998)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		(59 644)	(55 279)
Repayment of financial leases		(349)	-
Cash used in Financing Activities		(59 993)	(55 279)
CASH INFLOWS:			
Proceeds from borrowing		84 276	53 212
Cash generated from Financing Activities		84 276	53 212
Net Cash provided by (used in) Financing Activities		24 283	(2 067)
NET INCREASE IN CASH AND CASH EQUIVALENTS		27 185	20 236
CASH AND CASH EQUIVALENTS AT 1 JULY		31 590	11 354
CASH AND CASH EQUIVALENTS AT 30 JUNE	33(a)	58 775	31 590

Program Schedule of Expenses and Income for the year ended 30 June 2008

	(Refer Note 4)	Program 1		Program 2		Program 3	
		2008	2007	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:							
Employee benefits expenses		14 305	12 386	32 539	29 796	10 729	2 858
Supplies and services		4 715	4 006	20 114	20 778	7 884	1 482
Depreciation and amortisation expense		718	687	1 873	1 765	118	9
Borrowing costs		-	-	-	-	-	-
Other expenses		-	-	-	-	-	-
Total Expenses		19 738	17 079	54 526	52 339	18 731	4 349
INCOME:							
Revenues from fees and charges		1 643	1 086	29 944	30 461	1 118	2
Interest revenues		-	-	-	-	22	-
Net gain from disposal of assets		-	-	-	-	-	-
Other revenues		86	71	342	201	13	1
Total Income		1 729	1 157	30 286	30 662	1 153	3
NET COST OF PROVIDING SERVICES		(18 009)	(15 922)	(24 240)	(21 677)	(17 578)	(4 346)
REVENUES FROM (PAYMENT TO)							
SA GOVERNMENT:							
Revenue from SA Government		20 434	16 299	27 404	21 586	19 898	4 450
Payments to SA Government		(1 941)	-	(2 604)	-	(1 890)	-
NET RESULT BEFORE RESTRUCTURE		484	377	560	(91)	430	104

	(Refer Note 4)	Program 4		Program 5		Program Total	
		2008	2007	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:							
Employee benefits expenses		27 192	18 024	271	234	85 036	63 298
Supplies and services		66 431	35 861	18	9	99 162	62 136
Depreciation and amortisation expense		42 881	22 029	1	1	45 591	24 491
Borrowing costs		13 625	6 291	-	-	13 625	6 291
Other expenses		2 081	5 514	-	-	2 081	5 514
Total Expenses		152 210	87 719	290	244	245 495	161 730
INCOME:							
Revenues from fees and charges		132 925	66 740	1	-	165 631	98 289
Interest revenues		107	68	-	-	129	68
Net gain from disposal of assets		2 746	1 252	-	-	2 746	1 252
Other revenues		45	115	-	-	486	388
Total Income		135 823	68 175	1	-	168 992	99 997
NET COST OF PROVIDING SERVICES		(16 387)	(17 811)	(289)	(244)	(76 503)	(61 733)
REVENUES FROM (PAYMENT TO)							
SA GOVERNMENT:							
Revenue from SA Government		15 133	18 234	327	249	83 196	60 818
Payments to SA Government		-	-	(31)	-	(6 466)	-
NET RESULT BEFORE RESTRUCTURE		(1 254)	(310)	7	5	227	(915)

The allocations to programs are indicative and are based on broad costing methodologies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Treasury and Finance

The Department of Treasury and Finance (the Department or DTF) provides policy advice and financial management services to the Government of South Australia in order to strengthen state finances and contribute to community well being through supporting the objectives of South Australia's Strategic Plan (SASP). This is achieved by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole-of-government financial processes and by providing financial services.

The Department is the lead agency supporting the government's key economic, social and financial policy outcomes through the provision of advice and coordination of resource allocation for government programs. The Department also provides financial services to the government and the community, covering asset and liability management, collection of state taxes, insurance and superannuation.

The Department also supports the Government's target for improved administrative efficiency within the public sector through implementation and provision of shared services and provision of procurement and fleet management further across the SA Government.

The Department provides the Government with policy and financial advice on achieving the SASP through the following departmental priorities:

Strengthen State Finances Including Maintaining the AAA Credit Rating

Related SASP Objective: Growing Prosperity

Target Area: Credit rating; Strategic Infrastructure

Achieve Performance Improvements in the South Australian Public Sector

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – administrative efficiency; Government decision-making

Improve Budget and Financial Management Processes

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Government Decision Making; Strategic Infrastructure

Improve Service Delivery

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Customer and client satisfaction with government services; Government decision making

Effective Industry Regulation

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Government decision making

Corporate Priorities

Related SASP Objective: Growing Prosperity

Target Area: Performance in the public sector – Productivity; Government decision making

To achieve these objectives, the Department delivers a number of programs for the government. The program information is summarised in Note 4.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

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

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

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, which have been included in this financial report:

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

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

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

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

2.2 Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report includes all the controlled activities of the Department. Transactions and balances relating to administered resources are not recognised as departmental income, expense, 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 at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

2.3 Administrative Restructure

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006 (dated 28 September 2006) declared that the Contract and Procurement Services, Fleet SA, Support Services and Corporate Services (other than Parliamentary Network Support Group, Injury Management Unit and Placement Services) Business Units transferred from the Department for Administrative and Information Services (DAIS) to the Department. This public sector restructure was effective from 1 January 2007 for financial reporting purposes. Refer to Note 29.

2.4 Comparative Information

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

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

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

2.5 Rounding

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

2.6 Taxation

In accordance with TI 22, some business units are required to pay to the State Government income tax equivalents. The income tax liability is based on the Treasurer's accounting profit method, which requires the corporate tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

Income taxation equivalents are required to be paid by the following business units of the Department:

- Fleet SA
- Government Supplies Warehouse (Supply SA)

The department is liable for payroll tax, FBT and GST.

2.6 *Taxation (continued)*

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

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

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

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

Unrecognised 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.

2.7 *Events after Balance Date*

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

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

2.8 *Income and Expenses*

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

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

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

Transactions with SA Government entities and non-SA Government entities are classified according to their nature.

The following are specific recognition criteria:

Income

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 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 (ie 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 (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 Department 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 Department obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Expenses

Employee Benefits

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

Superannuation

The amount charged to the Income Statement represents the contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. The Department centrally recognises the superannuation liability in the whole-of-government financial report.

Contributions Paid

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

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

Borrowing Costs

All borrowing costs are recognised as expenses.

Payments to SA Government

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

Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities are sold, consumed or realised as part of the normal operating cycle 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.

2.9 Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash on hand and deposits at call that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.10 Receivables

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

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

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

2.11 Inventories

Inventories are mainly general stock on hand (other than those held for distribution at no or nominal consideration) held by Supply SA and are valued at the lower of average cost or net realisable value, using the average weighted cost method.

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

2.12 Other Financial Assets

The Department measures financial assets and debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.13 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 Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

2.14 Revaluation of Non-Current Assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets 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 and fitouts over \$1 million. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

2.15 Impairment

All non-current tangible and intangible assets are reviewed for indication of impairment through stocktaking processes or at the 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.

2.16 Non-Current Assets (or disposal groups) Held-for-Sale

Non-current assets (or disposal groups) are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the Balance Sheet.

2.17 Depreciation and Amortisation of Non-Current Assets

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

The assets' residual values, useful lives and depreciation/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 change to the time period or method, as appropriate, which is a change in accounting estimate.

The value of fitouts for leased buildings are 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. Depreciation rates were amended as a result of the change in useful lives.

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings	Straight Line	20-40
Fitouts - Owned buildings	Straight Line	3-10
Fitouts - Leased buildings	Straight Line	Remaining life of lease
Furniture	Straight Line	10
Information technology equipment	Straight Line	3-5
Intangibles	Straight Line	3-10
Motor vehicles	Straight Line	1-5
Office equipment	Straight Line	3-5
Plant and equipment	Straight Line	5-10

2.18 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.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiable, 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 \$10 000.

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

Subsequent expenditure on intangible assets that includes upgrades or enhancements to existing software systems that result in additional functionality or performance will be capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality will be expensed.

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

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

2.20 Borrowings/Financial Liabilities

The Department measures financial liabilities including borrowings/debt at historical cost.

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled.

Light Motor Vehicles - Loan Arrangements with SAFA

Arrangements for the ongoing acquisition of motor vehicles have existed with the South Australian Government Financing Authority (SAFA) since 2003. Funding has been provided through a loan facility direct to Fleet SA. The vehicle purchases are financed on a credit foncier basis of three year fixed periods from November 2005 with balances of loans maturing over the next three years. During the reporting period an amount of \$84 291 000 was borrowed.

2.21 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.

Salaries and Wages, Annual Leave and Sick Leave

Liability 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 salaries 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 for sick leave.

Long Service Leave

The liability for long service leave is recognised after an employee has completed 6.5 years of service. An actuarial assessment of long service leave 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.

The current/non-current classification of Department's long service leave liabilities has been calculated based on historical usage patterns consistent with APF IV APS 5.15.

Employee Benefit On-Costs

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

2.22 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 obligation.

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

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

Workers Compensation

The Department is responsible for workers compensation with an actuarial estimate of the outstanding liability as at June 2008 provided by a consulting actuary through the Public Sector Workforce Division of the Department of the Premier and Cabinet.

Procurement of Testing Services - Removal of Underground Fuel Tanks and Site Remediation

A provision is in place for the procurement of testing services (relating to the costs associated with the removal of underground fuel tanks previously owned by Mobil Australia including the remediation of sites). The provision specifically includes the procurement of assessment, drilling and analytical services.

2.23 Leases

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

Finance Leases

Finance leases, which transfer to the Department substantially all the risks and benefits/rewards incidental to ownership of the leased assets, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Minimum lease payments are allocated between borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

Where there is no reasonable assurance that the Department will obtain ownership of the capitalised asset at the end of the lease term, the asset is amortised over the shorter of the lease term and its useful life.

Operating Leases

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

Lease Incentives

All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Department in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

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.

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 Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Changes in Accounting Policies

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

4. Programs of the Department

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

Program 1: Accountability for Public Sector Resources

The Department has the role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the government and coordinating resource allocations for government programs and priorities at the whole-of-government level.

Program 2: Financial Services Provision

The Department has a role of providing a range of whole-of-government services including liability management, collection of taxes, and insurance and superannuation administration.

Program 3: Shared Services

Design, development and implementation of shared services across government.

Program 4: State Procurement and Support Operations

The Department has a role of providing a range of services (in addition to those provided by Shared Services SA) to other government agencies including contract and procurement management, fleet management and a range of corporate transaction services.

Program 5: Gambling Policy

The Department provides policy advice to the government on economic, social and regulatory issues associated with gambling.

5. Employee Benefit Expenses

	2008 \$'000	2007 \$'000
Salaries and wages	59 978	45 211
Long service leave	3 396	2 080
Annual leave	5 676	4 538
Employment on-costs - Superannuation	8 444	6 137
Employment on-costs - Other	4 304	3 275
Board fees	206	198
Other employee related expenses	3 032	1 859
Total Employee Benefit Expenses	85 036	63 298

Remuneration of Employees

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

	2008 Number of Employees	2007 Number of Employees
\$100 000 - \$109 999	34	26
\$110 000 - \$119 999	10	9
\$120 000 - \$129 999	8	9
\$130 000 - \$139 999	11	10
\$140 000 - \$149 999	9	11
\$150 000 - \$159 999	13	7
\$160 000 - \$169 999	7	2
\$170 000 - \$179 999	3	3
\$180 000 - \$189 999	1	2
\$190 000 - \$199 999	4	-
\$200 000 - \$209 999	2	1
\$210 000 - \$219 999	1	2
\$220 000 - \$229 999	-	3
\$230 000 - \$239 999	4	-
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	-	1
\$270 000 - \$279 999	-	1
\$280 000 - \$289 999	1	-
\$340 000 - \$349 999	-	1
\$370 000 - \$379 999	1	-
Total Number of Employees	110	88

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 any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$15 559 000 (\$12 306 500).

6. Supplies and Services	2008	2007
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Accommodation and telecommunication	8 955	6 008
Information technology expenses	3 379	5 019
Cost of goods	3 474	1 724
Motor vehicle expenses	3 072	1 614
Minor works, maintenance and equipment	1 756	1 207
Legal costs	1 053	846
Valuation fees	4 180	3 846
General administration and consumables	87	37
Other	3 170	2 323
Total Supplies and Services - SA Government Entities	29 126	22 624
Supplies and Services provided by Entities external to the SA Government:		
Accommodation and telecommunication	357	279
Information technology expenses	13 582	6 946
Cost of goods	9 846	6 662
Motor vehicle expenses	27 381	12 193
Minor works, maintenance and equipment	727	594
Legal costs	52	38
Consultants	1 442	1 675
Contractors	7 673	3 193
General administration and consumables	4 381	3 408
Other	4 595	4 524
Total Supplies and Services - Non-SA Government Entities	70 036	39 512
Total Supplies and Services	99 162	62 136

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 for payments relating to third party arrangements.

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

	2008	2007	2008	2007
	Number	Number	\$'000	\$'000
Below \$10 000	19	16	64	78
Between \$10 000 and \$50 000	15	11	442	266
Above \$50 000	9	5	936	1 331
Total Paid/Payable to the Consultants Engaged	43	32	1 442	1 675

7. Depreciation and Amortisation Expense	2008	2007
Depreciation:	\$'000	\$'000
Buildings	10	7
Plant and equipment	11	319
Motor vehicles	41 056	20 162
Furniture	16	16
Information technology equipment	625	241
Office equipment	125	107
Total Depreciation	41 843	20 852
Amortisation:		
Intangible assets	2 436	2 222
Building fitouts	998	519
Leased plant and equipment	314	898
Total Amortisation	3 748	3 639
Total Depreciation and Amortisation Expense	45 591	24 491

Correction of Errors

Due to the acquisition of items of property, plant and equipment under finance leases for \$1 449 000 not previously being recognised by DAIS prior to the restructure in January 2007, the amortisation expense on leased plant and equipment was understated by \$870 000 in 2006-07.

The depreciation expense on motor vehicles was understated by \$848 000 in 2006-07 due to the incorrect calculation of depreciation expense using the lease rate residual rather than the impaired rate.

These errors had the total effect of understating depreciation and amortisation expense by \$1 718 000, understating net cost of providing services by \$1 718 000 and overstating retained earnings at 30 June 2007.

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

8. Borrowing costs	2008	2007
	\$'000	\$'000
Interest paid/payable on short term and long term borrowings	13 623	6 289
Finance lease costs	2	2
Total Borrowing Costs	13 625	6 291
9. Other Expenses		
Other Expenses paid/payable to Entities external to the SA Government:		
Inventory write-offs	597	-
Bad and doubtful debts (write-back) expenses	40	348
Impairment loss	1 444	5 166
Total Other Expenses - Non-SA Government Entities	2 081	5 514
Total Other Expenses	2 081	5 514
10. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	512	462
Total Audit Fees	512	462
No other services were provided by the Auditor-General's Department.		
11. Revenue from Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Agencies for the provision of corporate services	2 398	1 997
SAFA	7 942	7 958
Community Emergency Services Fund	5 884	5 926
Banking administration fees	-	14
Land tax certificates	511	475
Service provision	26 204	14 074
Fleet management	92 100	43 034
Sale of goods	10 514	7 015
Other recoveries	1 549	487
Total Fees and Charges - SA Government Entities	147 102	80 979
Fees and Charges received/receivable from Entities external to the SA Government:		
South Australian Superannuation Board	12 140	13 127
Land tax certificates	238	216
Regulatory fees	167	186
Service provision	1 836	483
Fleet management	1 029	387
Sale of goods	2 503	2 548
Other recoveries	616	363
Total Fees and Charges - Non-SA Government Entities	18 529	17 309
Total Fees and Charges	165 631	98 289
12. Interest Revenues		
Interest from entities within the SA Government	129	68
Total Interest Revenues	129	68
13. Net Gain (Loss) from Disposal of Non-Current Assets and Other Assets		
Plant and Equipment:		
Proceeds from disposal	44 214	29 020
Net book value of assets disposed	(41 468)	(27 768)
Total Net Gain from Disposal of Assets	2 746	1 252
14. Other Revenues		
Other Revenues received/receivable from Entities within the SA Government:		
Other reimbursements	156	4
Total Other Revenues - SA Government Entities	156	4
Other Revenues received/receivable from Entities external to SA Government:		
Commissions	149	133
Banking recoveries	67	59
Other revenue	114	192
Total Other Revenues - Non-SA Government Entities	330	384
Total Other Revenues	486	388

15. Revenues from (Payments to) SA Government	2008	2007
Revenues from SA Government	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	83 196	60 818
Total Revenues from SA Government	83 196	60 818
Payments to SA Government		
Return of surplus cash pursuant to Cash Alignment Policy	6 466	-
Total Payments to SA Government	6 466	-
16. Income Tax Equivalent		
Income tax equivalent payment - Fleet SA	450	162
Total Income Tax Equivalent	450	162
17. Cash and Cash Equivalents		
Deposits with the Treasurer	58 654	31 472
Cash on hand	121	118
Total Cash and Cash Equivalents	58 775	31 590

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use.

Interest Rate Risk

From 1 April 2008, the Shared Services SA component of Deposits with the Treasurer earned a floating interest rate based on daily bank deposit rates. The Shared Services SA balance at 30 June 2008 was \$1 707 000. Other Deposits with the Treasurer were non-interest bearing. Cash on hand is non-interest bearing. The carrying amount of cash approximates net fair value.

18. Receivables	2008	2007
Current:	\$'000	\$'000
Receivables	15 766	13 826
Allowance for doubtful debts	(49)	(72)
Accrued revenues	1 469	1 004
Prepayments	1 016	1 491
GST input tax recoverable	57	495
Total Current Receivables	18 259	16 744
Non-Current:		
Prepayments	-	136
Total Non-Current Receivables	-	136
Total Receivables	18 259	16 880

SA Government/Non-SA Government Entities Receivables

Receivables from SA Government Entities:		
Receivables	15 212	12 199
Accrued revenues	918	549
Prepayments	45	454
Total Receivables from SA Government Entities	16 175	13 202

Receivables from Non-SA Government Entities:

Receivables	505	1 556
Accrued revenues	551	455
Prepayments	971	1 173
GST receivable	57	494
Total Receivables from Non-SA Government Entities	2 084	3 678
Total Receivables	18 259	16 880

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 Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	72	-
Decrease in provision	(23)	72
Carrying Amount at 30 June	49	72

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. There is no concentration of credit risk.

Maturity Analysis of Receivables - refer to Note 34.

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 34.

19. Inventories	2008	2007
Current:	\$'000	\$'000
Other than those held for distribution at no or nominal amount	-	2 400
Total Inventories	-	2 400
20. Non-Current Assets Classified as Held-for-Sale		
Motor vehicles	3 898	3 099
Buildings	190	-
Land	45	-
Total Non-Current Assets Classified as Held-for-Sale	4 133	3 099
Non-current assets classified as held-for-sale comprise Fleet SA motor vehicles which are expected to be sold within four weeks and Land and Buildings at the Whyalla site for Supply SA.		
21. Property, Plant and Equipment		
Current:		
Motor vehicles:		
At cost	118 439	64 196
Accumulated depreciation	(28 804)	(19 240)
Impairment loss	(2 856)	(3 605)
Total Current Property, Plant and Equipment	86 779	41 351
Non-Current:		
Land:		
At valuation	-	45
Total Land	-	45
Buildings:		
At valuation	75	290
Accumulated depreciation	(11)	(26)
Total Buildings	64	264
Building Fitouts:		
At valuation	9 629	6 771
Accumulated amortisation	(4 575)	(3 883)
Total Building Fitouts	5 054	2 888
Assets under Finance Lease:		
At valuation	3 475	3 974
Accumulated amortisation	(3 169)	(3 354)
Total Assets under Finance Lease	306	620
Plant and Equipment:		
At cost	568	298
Accumulated depreciation	(112)	(101)
Total Plant and Equipment	456	197
Motor Vehicles:		
At cost	121 824	189 151
Accumulated depreciation	(8 367)	(23 751)
Impairment loss	(2 478)	(4 234)
Total Motor Vehicles	110 979	161 166
Furniture:		
At cost (Deemed fair value)	168	168
Accumulated depreciation	(110)	(94)
Total Furniture	58	74
Information Technology Equipment:		
At cost (Deemed fair value)	3 063	3 729
Accumulated depreciation	(2 101)	(2 288)
Total Information Technology Equipment	962	1 441
Office Equipment:		
At cost (Deemed fair value)	949	580
Accumulated depreciation	(515)	(414)
Total Office Equipment	434	166
Total Non-Current Property, Plant and Equipment	118 313	166 861
Total Property, Plant and Equipment	205 092	208 212

21. Property, Plant and Equipment (continued)	2008	2007
Property, Plant and Equipment:	\$'000	\$'000
Total property, plant and equipment at fair value	4 180	4 477
Total property, plant and equipment at cost	254 010	264 725
Total accumulated amortisation	(7 744)	(7 237)
Total accumulated depreciation	(45 354)	(53 753)
Total Property, Plant and Equipment	205 092	208 212

Correction of Errors

Due to the acquisition of items of property, plant and equipment under finance leases for \$1 449 000 not previously being recognised by DAIS prior to the restructure in January 2007, the total value of assets under finance lease was understated by \$579 000 at 30 June 2007.

These errors had the total effect of understating assets under finance lease at valuation by \$1 449 000, understating accumulated amortisation by \$870 000 and understating retained earnings by \$579 000 at 30 June 2007.

These errors have been corrected by restating each of the affected financial statement line items for the prior year.

Impairment

There were indications of impairment of motor vehicles at 30 June 2008. The value by which the asset's carrying amount exceeded the recoverable amount has been recorded as an impairment loss in the Income Statement.

There were no indications of impairment for the remaining property, plant and equipment at 30 June 2008.

Resources received Free of Charge

There were no resources received free of charge.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2007-08:

	Land	Buildings	Building Fitouts	Assets under Finance Lease	Plant and Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	45	264	2 888	620	197
Additions	-	-	3 176	-	270
Assets classified as held-for-sale	(45)	(190)	-	-	-
Disposals	-	-	(12)	-	-
Impairment loss	-	-	-	-	-
Depreciation expense	-	(10)	(998)	(314)	(11)
Carrying Amount at 30 June	-	64	5 054	306	456

	Motor Vehicles	Furniture	Information Technology Equipment	Office Equipment	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	202 517	74	1 441	166	208 212
Additions	80 260	-	146	393	84 245
Assets classified as held-for-sale	(3 898)	-	-	-	(4 133)
Disposals	(38 621)	-	-	-	(38 633)
Impairment loss	(1 444)	-	-	-	(1 444)
Depreciation expense	(41 056)	(16)	(625)	(125)	(43 155)
Carrying Amount at 30 June	197 758	58	962	434	205 092

22. Intangible Assets	2008	2007
Internally developed computer software	\$'000	\$'000
Accumulated amortisation	10 817	10 695
Computer software	(9 070)	(7 389)
Accumulated amortisation	6 667	5 999
Total Intangible Assets	(3 871)	(3 117)
	4 543	6 187

Reconciliation of Intangible Assets

The following table shows the movement of intangible assets during 2007-08:

	2008
	\$'000
Carrying amount at 1 July	6 187
Additions	792
Amortisation expense	(2 436)
Carrying Amount at 30 June	4 543

Reconciliation of Intangible Assets (continued)

The internally developed computer software primarily relates to the Department's RevenueSA databases and Technical Architecture Specification database with a remaining useful life of two years for each asset and a carrying amount of \$530 000 and \$508 000 respectively.

The Department has no contractual commitment for the acquisition of Intangible Assets.

23. Payables	2008	2007
Current:	\$'000	\$'000
Creditors	3 161	10 099
Accrued expenses	6 468	5 825
Employment on-costs	1 789	1 812
Income tax equivalents	506	56
Funds held in trust	50	-
Total Current Payables	11 974	17 792
Non-Current:		
Employment on-costs	1 571	1 508
Funds held in trust	-	50
Total Non-Current Payables	1 571	1 558
Total Payables	13 545	19 350

SA Government/Non-SA Government Entities Payables

Payables to SA Government Entities:

Creditors	400	43
Accrued expenses	2 817	1 742
Employment on-costs	1 693	1 806
Income tax equivalents	506	56
Total Payables to SA Government Entities	5 416	3 647

Payables to Non-SA Government Entities:

Creditors	2 811	10 105
Accrued expenses	3 651	4 083
Employment on-costs	1 667	1 515
Total Payables to Non-SA Government Entities	8 129	15 703
Total Payables	13 545	19 350

Interest Rate and Credit Risk

Creditors are raised for all amounts billed but unpaid. Trade creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. 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. In addition, there is no concentration of credit risk.

Maturity Analysis of Payables - refer to Note 34.

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 34.

24. Borrowings	2008	2007
Current:	\$'000	\$'000
Finance leases ⁽¹⁾	375	376
Borrowings from SAFA ⁽²⁾	62 087	-
Total Current Borrowings	62 462	376
Non-Current:		
Finance leases ⁽¹⁾	32	396
Borrowings from SAFA ⁽²⁾	165 791	203 877
Total Non-Current Borrowings	165 823	204 273
Total Borrowings	228 285	204 649

(1) Secured by the asset leased.

(2) These are unsecured loans which bear interest. The terms of the loan are agreed by the Department at the time the loan was provided.

Borrowings are recognised at cost in accordance with APF IV APS 2.1 and have a maturity date. The interest rate is determined by the Treasurer. The rate was 7.25 percent in 2008 (6.65 percent).

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Correction of Errors

Due to finance lease contracts not previously being recognised by DAIS prior to the restructure in January 2007, current borrowing were understated by \$349 000, non-current borrowings were understated by \$377 000 and retained earnings were overstated by \$726 000 as at 30 June 2007.

Maturity Analysis of Borrowings - refer to Note 34

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 34.

Defaults and Breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

25. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Accrued salaries and wages	1 449	1 149
Annual leave	5 175	5 082
Long service leave	1 277	1 077
Total Current Employee Benefits	7 901	7 308
Non-Current:		
Long service leave	17 375	16 242
Total Non-Current Employee Benefits	17 375	16 242
Total Employee Benefits	25 276	23 550

The total current and non-current employee benefit plus related on costs for 2008 is \$9 690 000 and \$18 946 000 respectively.

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

26. Provisions	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	152	123
Procurement of testing services to SA Government entity	464	597
Total Current Provisions	616	720
Non-Current:		
Provision for workers compensation	410	333
Total Non-Current Provisions	410	333
Total Provisions	1 026	1 053
Reconciliation of Provisions		
Carrying amount at 1 July	1 053	201
Payments/other sacrifices of future economic benefits	(362)	(281)
Additional provisions recognised	335	1 133
Carrying Amount at 30 June	1 026	1 053

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

27. Other Liabilities	2008	2007
Current:	\$'000	\$'000
Unearned revenue	226	776
Lease incentives	181	-
Total Current Other Liabilities	407	776
Non-Current:		
Unearned revenue	17	-
Lease incentives	2 832	-
Total Non-Current Other Liabilities	2 849	-
Total Other Liabilities	3 256	776

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

28. Equity		
Asset revaluation reserve	108	108
Retained earnings	17 538	17 761
Total Equity	17 646	17 869

The property, plant and equipment asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

29. Net Revenue from Administrative Restructure

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006, dated 28 September 2006, declared that the Contract and Procurement Services, Fleet SA, Support Services and Corporate Services (other than Parliamentary Network Support Group, Injury Management Unit and Placement Services) business units transferred from DAIS to the Department, effective from 1 January 2007 for financial reporting purposes. The new branch designation is State Procurement and Support Operations.

On transfer of the State Procurement and Support Operations business units, the Department recognised the following assets and liabilities.

	2007
	\$'000
Cash	12 720
Receivables	18 396
Assets held-for-sale	3 837
Property, plant and equipment	202 745
Intangibles	1 235
Other	4 252
Total Assets	243 185
Payables	14 297
Employee benefits	10 102
Provisions	312
Borrowings	207 111
Total Liabilities	231 822
Net Assets	11 363

Total income and expenses attributable to State Procurement and Support Operations for 2006-07 were:

	DAIS 01.07.06 to 31.12.06 \$'000	DTF 01.01.07 to 30.06.07 \$'000	Total \$'000
Appropriation	85 243	11 889	97 132
Revenue from fees and charges	68 061	66 683	134 744
Other income	-	5 918	5 918
Total Income	153 304	84 490	237 794
Employee benefit expenses	15 717	15 838	31 555
Supplies and services	36 309	38 885	75 194
Depreciation and amortisation	19 505	20 153	39 658
Borrowing costs	-	6 292	6 292
Other expenses	8 955	5 676	14 631
Total Expenses	80 486	86 844	167 330
Net Result	72 818	(2 354)	70 464

30. Unrecognised and Contractual Commitments**(a) Remuneration Commitments**

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

Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	2008 \$'000	2007 \$'000
Not later than one year	11 296	9 240
Later than one year but not later than five years	29 071	19 274
Later than five years	106	-
Total Remuneration Commitments	40 473	28 514

(b) Operating Lease Commitments

The Department as Lessee

At the reporting date, the Department has operating leases for office accommodation.

Office accommodation is leased from the Real Estate Management business unit of the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

The Department also had operating leases for motor vehicles from Fleet SA. The leases are non-cancellable with terms ranging up to five years. There are no purchase options available to the Department. Due to the transfer of functions from DAIS, the Department is now the lessor.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2008 \$'000	2007 \$'000
Not later than one year	10 421	5 148
Later than one year but not later than five years	22 935	9 476
Later than five years	-	758
Total Non-Cancellable Operating Lease Commitments	33 356	15 382

<i>The Department as Lessor</i>	2008	2007
	\$'000	\$'000
Leases receivable contracted for at the reporting date but not recognised as assets:		
Motor Vehicle Hire:		
Not later than one year	58 419	50 373
Later than one year but not later than five years	42 154	50 129
Total Non-Cancellable Operating Lease Receivables	100 573	100 502

(c) Other Commitments

The Department's other commitments are primarily agreements for software licence and development. The Department also has commitments to provide advisory and planning services to Super SA members.

	2008	2007
	\$'000	\$'000
Not later than one year	1 724	1 128
Later than one year but not later than five years	3 544	591
Total Other Commitments	5 268	1 719

(d) Finance Lease Commitments

The Department as Lessee

Plant and Equipment:

Not later than one year	403	445
Later than one year but not later than five years	32	396

	435	841
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Future finance charges and contingent rentals	(28)	(69)
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Total Lease Liabilities	407	772
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Present value of finance leases payable as follows:

Not later than one year	375	376
Later than one year but not later than five years	32	396

Total Non-Cancellable Finance Lease Commitments	407	772
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Included in the financial statements as:

Current borrowings	24	375	376
Non-current borrowings	24	32	396
		407	772

The Department has finance lease contracts for various items of plant and equipment with a carrying amount of \$407 000. These contracts will expire during 2008-09.

The leases have a purchase option at the end of the lease contract. The weighted average interest rate implicit in the leases is 7.015 percent.

31. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

32. Remuneration of Board and Committee Members

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

SAFA Advisory Board

Mr J Wright (Presiding Member)*
Mr B Brownjohn
Mr L Foster
Ms A Howe*
Mr C Long
Ms Y Sneddon
Mrs J Tongs
Ms Juliet Brown

SAFA Audit Committee

Ms Y Sneddon
Mr L Foster
Mr P Mendo*

South Australian Superannuation Board

Mr H Bachmann
Mr K Cantley*
Ms V Deegan
Ms J McMahon
Ms R Sumner
Ms L York**

32. Remuneration of Board and Committee Members (continued)

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

	2008 Number of Members	2007 Number of Members
\$0	7	5
\$1 - \$9 999	1	1
\$20 000 - \$29 999	4	7
\$30 000 - \$39 999	3	1
Total Number of Members	15	14

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$218 000 (\$227 000).

Amounts paid to a superannuation plan for board/committee members was \$17 000 (\$16 000).

Unless otherwise disclosed, transactions between members 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.

* 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.

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

33. Cash Flow Reconciliation

(a) Reconciliation of Cash - Cash at 30 June as per:

	2008 \$'000	2007 \$'000
Cash Flow Statement	58 775	31 590
Balance Sheet	58 775	31 590

(b) *Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services*

Net cash provided by operating activities	39 978	50 301
Add: Revenues from SA Government	(83 196)	(60 818)
Add: Payments to SA Government	6 466	-
Add: Income tax equivalent	-	162
Add: Cash on restructure	-	(12 720)
Add: Non-cash items:		
Depreciation and amortisation expense	(45 591)	(24 491)
Inventory write-offs	(597)	-
Net assets on restructure impacting operating cash flows	-	2 331
Building fitouts recognised through lease incentive	2 442	-
Non-current assets accrual in payables	986	(15)
Non-current assets classified as held-for-sale	1 034	-
Gain on disposal of assets	2 814	1 252
Impairment loss	(1 444)	(5 166)
Changes in Assets/Liabilities:		
Increase in receivables	1 379	15 027
(Decrease) Increase in inventories	(2 400)	2 400
Decrease (Increase) in payables	5 805	(16 709)
Increase in employee benefits	(1 726)	(11 659)
Decrease (Increase) in provisions	27	(852)
Increase in other liabilities	(2 480)	(776)
Net Cost of Providing Services	(76 503)	(61 733)

34. Financial Instruments/Financial Risk Management**34.1 Categorisation of Financial Instruments**

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

		2008		2007	
	Note	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets					
Cash and Cash Equivalents:					
Cash and cash equivalents	17,33	58 775	58 775	31 590	31 590
Loans and Receivables:					
Receivables ⁽¹⁾	18	18 202	18 202	16 385	16 385
Total Financial Assets		76 977	76 977	47 975	47 975

34.1 Categorisation of Financial Instruments (continued)

	Note	2008		2007	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables ⁽¹⁾	23	12 527	12 527	18 832	18 832
Borrowings	24	227 878	227 878	203 877	203 877
Finance lease	27	407	407	772	772
Other financial liabilities	27	3 256	3 256	776	776
Total Financial Liabilities		244 068	244 068	224 257	224 257

- (1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law.' All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost 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 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 18 for information on the allowance for impairment in relation to receivables.

34.2 Ageing Analysis of Financial Assets

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

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired: Receivables ⁽¹⁾	17 248	592	313	18 153
Impaired: Receivables ⁽¹⁾	-	-	49	49
2007				
Not Impaired: Receivables ⁽¹⁾	15 253	426	634	16 313
Impaired: Receivables ⁽¹⁾	-	-	72	72

- (1) Receivable 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.' They are carried at cost.

34.3 Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturity		
	Carrying Amount \$'000	Less than 1 Year \$'000	More than 5 Years \$'000
2008			
Financial Assets:			
Cash and cash equivalents	58 775	58 775	-
Receivables	18 202	18 202	-
Total Financial Assets	76 977	76 977	-

34.3 Maturity Analysis of Financial Assets and Liabilities (continued)

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Liabilities:				
Payables	12 527	10 956	452	1 119
Borrowings	227 878	62 087	165 791	-
Finance lease liability	407	375	32	-
Other financial liabilities	3 256	424	2 832	-
Total Financial Liabilities	244 068	73 842	169 107	1 119
2007				
Financial Assets:				
Cash and cash equivalents	31 590	31 590	-	-
Receivables	16 385	16 249	136	-
Total Financial Assets	47 975	47 839	136	-
Financial Liabilities:				
Payables	18 832	17 736	462	1 096
Borrowings	203 877	-	203 877	-
Finance lease liability	772	376	396	-
Other financial liabilities	776	776	-	-
Total Financial Liabilities	224 257	18 888	204 735	1 096

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 continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. 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.

The carrying amount of financial liabilities recorded in Note 34.3 represent the Department's maximum exposure to financial liabilities.

Market Risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity Disclosure Analysis

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.

35. Events after Balance Date**Supply SA**

On 1 July 2008, SA Health assumed the responsibility of Supply SA Camden Park site. This resulted in the transfer of 21 FTEs, employee liabilities, lease for the premises and associated assets of the Camden Park warehouse.

Shared Services SA

The Shared Services reform program is currently focused on the implementation and migration of payroll, accounts payable and accounts receivable services and the required ICT services to support their delivery. The first tranche of services is structured around four transition groups comprising a mixture of agencies and services in each group.

The first group transitioned from within DTF into Shared Services SA on 31 March 2008 with the remaining groups that comprise the first tranche of services to transition into Shared Services SA during the 2008-09 financial year.

As part of the transition of employees to Shared Services SA, the balance sheet liabilities for accrued employee entitlements as at the date of transition, together with a corresponding amount of cash to support that entitlement is transferred from the transferor agency to Shared Services SA.

There were no further events occurring after balance date that had material financial implications on these financial statements.

**Statement of Administered Income and Expenses
for the year ended 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
INCOME:			
Taxation	37	3 288 437	2 993 421
Commonwealth revenues	38	3 959 666	3 644 548
Dividends	39	278 408	309 581
Interest revenues	40	174 525	132 137
Revenues from SA Government	41	1 203 859	1 190 411
Grants and contributions	42	190 190	132 964
Revenues from fees and charges	43	45 409	31 236
Other revenues	44	450 858	253 715
Total Income		9 591 352	8 688 013
EXPENSES:			
Payments to SA Government	41	8 134 245	7 295 602
Employee benefits expenses	45	247 963	264 151
Supplies and services	46	75 672	63 104
Interest expense	47	234 448	219 682
Grants, subsidies and transfers	48	748 990	687 883
Depreciation expense	49	185	147
Other expenses	50	125 529	138 021
Total Expenses		9 567 032	8 668 590
OPERATING SURPLUS		24 320	19 423
Net revenue from administrative restructure	61	3 432	-
NET RESULT AFTER RESTRUCTURE		27 752	19 423

Net result after restructure is attributable to SA Government as owner

**Statement of Administered Assets and Liabilities
as at 30 June 2008**

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash and cash equivalents	51	1 119 103	1 070 465
Receivables	52	18 787	18 370
Other financial assets	53	411	856
Total Current Assets		1 138 301	1 089 691
NON-CURRENT ASSETS:			
Other financial assets	53	499	294
Property, plant and equipment	54	849	994
Total Non-Current Assets		1 348	1 288
Total Assets		1 139 649	1 090 979
CURRENT LIABILITIES:			
Payables	55	1 024 308	999 993
Employee benefits	56	1 078	966
Provisions	57	12	10
Interest bearing liabilities	58	-	39
Other current liabilities	59	4 040	4 483
Total Current Liabilities		1 029 438	1 005 491
NON-CURRENT LIABILITIES:			
Payables	55	493 938	497 009
Employee benefits	56	281	219
Provisions	57	33	28
Other non-current liabilities	59	855	880
Total Non-Current Liabilities		495 107	498 136
Total Liabilities		1 524 545	1 503 627
NET ASSETS		(384 896)	(412 648)
EQUITY:			
Accumulated deficit		(384 896)	(412 648)
TOTAL EQUITY		(384 896)	(412 648)
Total equity is attributable to the SA Government as owner			
Unrecognised and contractual commitments	60		
Contingent assets and liabilities	62		

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

	Accumulated Deficit \$'000
Balance at 30 June 2006	(432 071)
Net result after restructure for 2006-07	19 423
Total recognised income and expense for 2006-07	19 423
Balance at 30 June 2007	(412 648)
Net result after restructure for 2007-08	27 752
Total recognised income and expenses for 2007-08	27 752
Balance at 30 June 2008	(384 896)

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

**Statement of Administered Cash Flows
for the year ended 30 June 2008**

		2008	2007
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:	Note	\$'000	\$'000
Taxation received		3 288 437	2 993 421
Receipts from Commonwealth		3 959 666	3 644 548
Dividends		278 408	309 581
Interest received		174 184	132 059
Receipts from SA Government		1 203 859	1 190 411
Grants and contributions		195 308	133 334
Fees and charges		45 741	31 682
GST receipts on receivables		13 910	8 524
GST input tax credits		3 235	2 362
Other receipts		447 281	252 194
Cash generated from Operating Activities		9 610 029	8 698 116
CASH OUTFLOWS:			
Payments to SA Government		(8 072 378)	(7 196 338)
Employee benefit payments		(247 754)	(263 763)
Supplies and services		(75 318)	(63 171)
Interest payments		(276 746)	(177 256)
Grants, subsidies and transfers		(759 460)	(682 321)
GST payments on purchases		(4 629)	(2 617)
GST remitted to ATO		(4 069)	(4 773)
Other payments		(130 321)	(140 993)
Cash used in Operating Activities		(9 570 675)	(8 531 232)
Net Cash provided by Operating Activities	64(b)	39 354	166 884
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(64)	(458)
Cash used in Investing Activities		(64)	(458)
Net Cash used in Investing Activities		(64)	(458)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Proceeds from other financial assets		6 584	5 144
Proceeds from restructure activities		2 799	1 177
Cash generated from Financing Activities		9 383	6 321
CASH OUTFLOWS:			
Other financial assets granted		(6)	(87)
Repayment of interest bearing liabilities		(29)	-
Cash used in Financing Activities		(35)	(87)
Net Cash provided by Financing Activities		9 348	6 234
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		48 638	172 660
CASH AND CASH EQUIVALENTS AT 1 JULY		1 070 465	897 805
CASH AND CASH EQUIVALENTS AT 30 JUNE	64(a)	1 119 103	1 070 465

Schedule of Administered Income and Expenses for the year ended 30 June 2008

	Admin Items on behalf of the Consolidated Account \$'000	Commonwealth Mirror Taxes on Commonwealth Places Revenue Account \$'000	Community Devlpmnt Fund \$'000	Community Emergency Services Fund \$'000	ETSA Sales/Lease Proceeds Account \$'000	Hospitals Fund \$'000	Industry Financial Assistance Account \$'000	Local Govt Disaster Fund \$'000
INCOME:								
Taxation	3 211 371	-	-	77 066	-	-	-	-
Commonwealth revenues	3 939 043	20 623	-	-	-	-	-	-
Dividends	278 408	-	-	-	-	-	-	-
Interest revenues	170 078	-	-	162	-	-	421	2 877
Revenues from SA Government	68 628	-	-	-	-	-	-	-
Grants and contributions	-	-	20 000	88 434	-	-	60 835	-
Fees and charges	19 254	-	-	368	-	-	-	-
Other revenues	289 652	-	-	-	2 800	150 381	233	-
Total Income	7 976 434	20 623	20 000	166 030	2 800	150 381	61 489	2 877
EXPENSES:								
Payments to SA Government	7 907 806	20 623	-	-	-	150 381	35 000	-
Employee benefit expenses	272	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	40
Interest	-	-	-	-	-	-	-	-
Grants, subsidies and transfers	68 356	-	20 000	166 062	-	-	12 887	2 597
Depreciation	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	(5 146)	-
Total Expenses	7 976 434	20 623	20 000	166 062	-	150 381	42 741	2 637
OPERATING SURPLUS (DEFICIT)	-	-	-	(32)	2 800	-	18 748	240

	State Government Auctions \$'000	State Supply Board - Gaming Machines \$'000	Support Services to Parliament- arians \$'000	Treasury & Finance Admin- istered Items \$'000	Treasurer's Interest in the National Wine Centre Account \$'000	Treasury Working Account \$'000	Other ⁽¹⁾ \$'000	Total 2008 \$'000
INCOME:								
Taxation	-	-	-	-	-	-	-	3 288 437
Commonwealth revenues	-	-	-	-	-	-	-	3 959 666
Dividends	-	-	-	-	-	-	-	278 408
Interest revenues	-	98	-	-	-	-	889	174 525
Revenues from SA Government	-	-	-	1 135 231	-	-	-	1 203 859
Grants and contributions	-	-	18 630	-	-	-	2 291	190 190
Fees and charges	5 425	19 037	1 325	-	-	-	-	45 409
Other revenues	-	-	1	-	25	7 766	-	450 858
Total Income	5 425	19 135	19 956	1 135 231	25	7 766	3 180	9 591 352
EXPENSES:								
Payments to SA Government	-	-	-	20 433	-	-	2	8 134 245
Employee benefit expenses	-	-	12 593	235 098	-	-	-	247 963
Supplies and services	5 425	19 135	5 684	45 360	28	-	-	75 672
Interest	-	-	-	234 448	-	-	-	234 448
Grants, subsidies and transfers	-	-	-	476 983	-	-	2 105	748 990
Depreciation	-	-	172	-	13	-	-	185
Other expenses	-	-	-	122 909	-	7 766	-	125 529
Total Expenses	5 425	19 135	18 449	1 135 231	41	7 766	2 107	9 567 032
OPERATING SURPLUS (DEFICIT)	-	-	1 507	-	(16)	-	1 073	24 320

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

The Administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants and subsidies to public sector agencies, the private sector, and the community and the transfer of revenues to the Consolidated Account. The associated Balance Sheet items for the consolidated Account, such as loans and borrowings, are recognised in the whole-of-government general purpose financial report.

The Administered financial statements also include the fixed property component of the Emergency Services Levy collected by RevenueSA and transferred to the Community Emergency Services Fund and all the transactions for the special deposit accounts established under section 8 of the PFAA that are administered by the Department listed below:

- Community Development Fund
- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Home Purchases Assistance Account
- Hospitals Fund
- Industry Financial Assistance Account
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- Treasurer's Interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account
- Support Services to Parliamentarians
- State Procurement Board - Gaming Machines Account (from 1 January 2007). Previously State Supply Board - Gaming Machines Account.
- State Government Auctions Account (from 1 January 2007)

36. Summary of Significant Accounting Policies

The Department's significant accounting policies are contained in Note 2. The policies outlined in Note 2 apply to both the Department and administered financial statements.

The following policies are only applicable to the Administered financial statements.

36.1 Administrative Restructure

The responsibility for the administration of contracts arising from the Regional Development Infrastructure Fund, the Upper Spencer Gulf & Outback Enterprise Zone fund and the Rural Towns Development Fund were transferred from the Department of Trade and Economic Development (DTED) to the Department effective 1 November 2007 (refer to Note 61). These transferred functions will form part of the Industry Financial Assistance Account.

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2006 (dated 28 September 2006) declared that:

- the State Supply Board - Gaming Machines Account was transferred from the Department for Administrative and Information Services (DAIS) to the Department, effective from 1 January 2007 (refer to Note 61);
- State Government Auctions was transferred from DAIS to the Department, effective from 1 January 2007 (refer to Note 61).

37. Taxation

Taxation received/receivable from Entities within the SA Government:

	2008	2007
	\$'000	\$'000
Stamp duties	3 766	3 781
Payroll tax	195 965	193 299
Land tax	153 799	156 317
Emergency Services Levy	2 384	1 859
Local government rate equivalents	2 232	1 633
Income tax equivalents	159 378	180 906
Contributions from Lotteries Commission	81 820	78 882
Total Taxation - SA Government Entities	599 344	616 677

37. Taxation (continued)	2008	2007
Taxation received/receivable from Entities external to the SA Government:	\$'000	\$'000
Stamp duties	1 466 350	1 248 597
Commonwealth Places Mirror - Stamp duties	606	662
Payroll tax	889 938	840 939
Commonwealth Places Mirror - Payroll tax	19 004	18 095
Land tax	212 091	175 907
Commonwealth Places Mirror - Land tax	1 013	904
Debits tax	-	(2)
Emergency Services levy	74 682	70 288
Local government rate equivalents	3 373	189
Save the River Murray levy	22 003	21 113
Hindmarsh Island Bridge levy	33	52
Total Taxation - Non-SA Government Entities	2 689 093	2 376 744
Total Taxation	3 288 437	2 993 421
38. Commonwealth Revenues		
Commonwealth General Purpose Grants:		
GST revenue grants	3 913 622	3 604 924
Competition grants	3 024	-
Commonwealth Places Mirror taxes	20 623	19 661
Total Commonwealth General Purpose Grants	3 937 269	3 624 585
Commonwealth Specific Purpose Grants:		
Concessions to pensioners and others	20 378	19 963
National Relief and Recovery Arrangements	2 019	-
Total Commonwealth Specific Purpose Grants	22 397	19 963
Total Commonwealth Revenues	3 959 666	3 644 548
39. Dividends		
DAIS	-	149
Forestry SA	22 671	34 903
HomeStart	2 240	-
Land Management Corporation	61 355	36 439
Public Trustee Office	1 290	2 100
SA Water Corporation	186 054	208 059
South Australian Asset Management Corporation	4 000	-
South Australian Government Employee Residential Property	-	1 156
TransAdelaide	-	5 296
Transport SA	798	21 479
Total Dividends	278 408	309 581
40. Interest Revenues		
Interest from entities within the SA Government	168 353	126 295
Other	6 172	5 842
Total Interest Revenues	174 525	132 137
41. Revenues from (Payments to) SA Government		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 135 231	1 116 926
Appropriations under other Acts	68 628	73 485
Total Revenues from SA Government	1 203 859	1 190 411
Payments to SA Government:		
Transfer of revenue received on behalf of Consolidated Account	7 928 239	7 132 342
Other payments to the Consolidated Account	206 006	163 260
Total Payments to SA Government	8 134 245	7 295 602
42. Grants and Contributions		
SA Government entities	153 902	128 371
Non-SA Government entities	36 288	4 593
Total Grants and Contributions	190 190	132 964
43. Revenues from Fees and Charges		
Fees and Charges received/receivable from Entities within the SA Government:		
Guarantee fees	19 254	17 979
Support services to Parliamentarians	1 193	1 144
Total Fees and Charges - SA Government Entities	20 447	19 123

43. Revenues from Fees and Charges (continued)	2008	2007
Fees and Charges received/receivable from Entities external to the SA Government:	\$'000	\$'000
State Government auctions	5 098	2 143
State Supply Board - Gaming machines	19 037	9 492
Support services to Parliamentarians	132	119
Other	695	359
Total Fees and Charges - Non-SA Government Entities	24 962	12 113
Total Fees and Charges	45 409	31 236
44. Other Revenues		
Other Revenues received/receivable from Entities within the SA Government:		
Contributions towards public hospital costs	150 381	143 593
Repayment of advances	70 546	11 888
Return of cash to Consolidated Account - Cash Alignment Policy	74 475	19 982
Return of capital	35 604	19 695
Return of deposit account balances	22 430	1 622
Essential Services Commission of SA	6 881	5 769
Support services to Parliamentarians	-	2
Other	10 682	7 919
Total Other Revenues - SA Government Entities	370 999	208 489
Other Revenues received/receivable from Entities external to the SA Government:		
Repayment of advances	10	3 896
Return of deposit account balances	30 000	31 955
Mitsubishi Limited Grant Repayment	35 000	-
Hindmarsh Site Recoveries	3 725	1 981
Support services to Parliamentarians	1	45
Discounted cash flow valuations for financial assistance loans	233	311
Other	10 890	7 038
Total Other Revenues - Non-SA Government Entities	79 859	45 226
Total Other Revenues	450 858	253 715
45. Employee Benefits Expenses		
Superannuation contributions to various schemes	235 098	252 065
Salaries and wages	9 927	9 221
Long service leave	217	268
Annual leave	747	690
Employment on-costs - Superannuation	986	927
Employment on-costs - Other	626	614
Minister's salary, electorate and expense allowance	272	257
Other employee related expenses	90	109
Total Employee Benefit Expenses	247 963	264 151
Remuneration of Employees	2008	2007
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees	Number of Employees
\$101 000 - \$109 999	1	-
\$110 000 - \$119 999	2	2
\$120 000 - \$129 999	-	1
\$130 000 - \$139 999	2	-
Total Number of Employees	5	3
The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$605 000 (\$353 000).		
46. Supplies and Services	2008	2007
Supplies and Services provided by Entities within the SA Government:	\$'000	\$'000
Support services to Parliamentarians	3 391	2 553
Gaming machines	202	130
State Government auctions	5 375	2 152
Unclaimed monies	13	119
General administration	68	87
Total Supplies and Services - SA Government Entities	9 049	5 041

46. Supplies and Services (continued)	2008	2007
Supplies and Services provided by Entities external to the SA Government:	\$'000	\$'000
State's share of GST administration	45 103	46 765
Support services to Parliamentarians	2 293	1 697
Gaming machines	18 933	9 420
State Government auctions	50	17
Unclaimed monies	243	152
General administration	1	12
Total Supplies and Services - Non-SA Government Entities	66 623	58 063
Total Supplies and Services	75 672	63 104
47. Interest Expense		
Interest paid on deposit accounts and other monies	49 874	45 558
Interest on borrowings	184 574	174 124
Total Interest Expense	234 448	219 682
48. Grants, Subsidies and Transfers		
Grants, Subsidies and Transfers paid to Entities within the SA Government:		
Recurrent grants	643 540	568 687
Total Grants, Subsidies and Transfers - SA Government Entities	643 540	568 687
Grants, Subsidies and Transfers paid to Entities external to the SA Government:		
Recurrent grants	105 450	119 196
Total Grants, Subsidies and Transfers - Non-SA Government Entities	105 450	119 196
Total Grants, Subsidies and Transfers	748 990	687 883
49. Depreciation Expense		
Buildings	13	14
Building fitouts	172	133
Total Depreciation Expense	185	147
50. Other Expenses		
Other Expenses paid/payable to Entities within SA Government:		
Repayment of borrowings	3 095	3 629
SAICORP Fund 2 - Treasurer's indemnity payment	-	67 358
Equity Capital Contribution	35 000	-
Other	1 220	2 153
Total Other Expenses - SA Government Entities	39 315	73 140
Other Expenses paid/payable to Entities external to the SA Government:		
Refunds and remissions	54 547	33 674
Payments to the South Australian Superannuation Fund	30 000	30 000
Bad debts	2 899	3 848
Doubtful debts	(2 328)	(2 404)
Discounted cash flow valuations for financial assistance loans	(5 717)	(5 795)
Other	6 813	5 558
Total Other Expenses - Non-SA Government Entities	86 214	64 881
Total Other Expenses	125 529	138 021
51. Cash and Cash Equivalents		
Deposits with the Treasurer	1 078 703	1 026 865
Other	40 400	43 600
Total Cash and Cash Equivalents	1 119 103	1 070 465
Interest Rate Risk		
Deposits with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.		
52. Receivables		
Current:		
Receivables	10 810	11 961
Provision for doubtful debts	(1 022)	(1 902)
Accrued revenues	8 781	8 258
GST receivables	218	53
Total Receivables	18 787	18 370

<i>SA Government/Non-SA Government Entities Receivables</i>	2008	2007
Receivables from SA Government Entities:	\$'000	\$'000
Receivables	9 718	9 205
Accrued revenues	8 358	7 836
Total Receivables from SA Government Entities	18 076	17 041
Receivables from Non-SA Government Entities:		
Receivables	70	854
Accrued revenues	423	422
GST receivables	218	53
Total Receivables from Non-SA Government Entities	711	1 329
Total Receivables	18 787	18 370

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 Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

The following shows the movements in the allowance for doubtful debts (impairment loss).

	2008	2007
	\$'000	\$'000
Carrying amount at 1 July	1 902	6 556
Decrease in provision	(880)	(4 654)
Carrying Amount at 30 June	1 022	1 902

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally due within 30 days. Trade receivables 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. There is no concentration of credit risk.

Maturity Analysis of Receivables - refer to Note 65.

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 65.

53. Other Financial Assets	2008	2007
Current:	\$'000	\$'000
Investments with Adelaide Bank	-	39
Loans for financial assistance	548	817
Provision for doubtful debts	(137)	-
Total Current Other Financial Assets	411	856
Non-Current:		
Loans for financial assistance	3 096	4 458
Provision for doubtful debts	(2 597)	(4 164)
Total Non-Current Other Financial Assets	499	294
Total Other Financial Assets	910	1 150
<i>SA Government/Non-SA Government Entities Other Financial Assets</i>		
Other Financial Assets with SA Government Entities:		
Loans for financial assistance	161	155
Total Other Financial Assets with SA Government Entities	161	155
Other Financial Assets with Non-SA Government Entities:		
Investment with Adelaide Bank	-	39
Loans for financial assistance	3 483	5 120
Provision for doubtful debts	(2 734)	(4 164)
Total Other Financial Assets with Non-SA Government Entities	749	995
Total Other Financial Assets	910	1 150

The investment with Adelaide Bank earned a fixed interest rate of 5.50 percent. The loans for financial assistance comprises interest free and interest bearing loans. The interest bearing loans earned a weighted average interest rate of 4.50 percent.

Maturity Analysis of Other Financial Assets - refer to Note 65 for the maturity analysis of other financial assets.

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 65.

54. Property, Plant and Equipment	2008	2007
Buildings:	\$'000	\$'000
Buildings at fair value	539	539
Accumulated depreciation	(54)	(41)
Total Buildings	485	498
Building Fitouts:		
Building fitouts at cost	651	631
Accumulated depreciation	(320)	(148)
Total Building Fitouts	331	483
Land:		
Land at fair value	13	13
Total Land	13	13
Office Equipment:		
Office Equipment fit-outs at cost	20	-
Total Office Equipment	20	-
Total Property, Plant and Equipment	849	994
Property, Plant and Equipment:		
Total property, plant and equipment at fair value	552	552
Total property, plant and equipment at cost	671	631
Total accumulated depreciation	(374)	(189)
Total Property, Plant and Equipment	849	994

Valuation of Non-Current Assets

An internal assessment of the valuation of the land and buildings for the National Wine Centre was performed as at 30 June 2007. The assets will continue to be measured using the income approach, in accordance with APF III. The existing internal discount rate is still appropriate for the measurement of this asset. As a consequence, there has been no change to the value of the assets.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2007-08:

	Buildings	Building Fitouts	Land	Office Equipment	2008 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	498	483	13	-	994
Additions	-	20	-	20	40
Depreciation expense	(13)	(172)	-	-	(185)
Carrying Amount at 30 June	485	331	13	20	849

55. Payables	2008	2007
Current:	\$'000	\$'000
Creditors - Electricity entities lease proceeds	3 076	2 800
Creditors - Revenue on behalf of the Consolidated Account	959 750	911 433
Creditors - Other	51 499	84 899
Accrued expenses	9 802	713
Employment on-costs	181	148
Total Current Payables	1 024 308	999 993
Non-Current:		
Creditors - Electricity entities lease proceeds	493 912	496 988
Employment on-costs	26	21
Total Non-Current Payables	493 938	497 009
Total Payables	1 518 246	1 497 002

SA Government/Non-SA Government Entities Payables

Payables to SA Government Entities:		
Creditors - Electricity entities lease proceeds	496 988	499 788
Creditors - Revenue on behalf of the Consolidated Account	960 055	911 433
Creditors - Other	51 159	80 419
Accrued expenses	8 628	272
Employment on-costs	74	68
Total Payables to SA Government Entities	1 516 904	1 491 980
Payables to Non-SA Government Entities:		
Creditors - Other	35	4 480
Accrued expenses	1 174	441
Employment on-costs	133	101
Total Payables to Non-SA Government Entities	1 342	5 022
Total Payables	1 518 246	1 497 002

Interest Rate and Credit Risk

Creditors are raised for all amounts billed but unpaid. Creditors - electricity entities lease proceeds are normally settled annually in June. Creditors - revenue on behalf of the Consolidated Account are normally settled by the 15th day of each month. Other creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity Analysis of Payables - refer to Note 65.

Categorisation of Financial Instruments and Risk Exposure Information - refer to Note 65.

56. Employee Benefits	2008	2007
Current:	\$'000	\$'000
Accrued salaries and wages	234	178
Annual leave	550	495
Long service leave	294	293
Total Current Employee Benefits	1 078	966
Non-Current:		
Long service leave	281	219
Total Non-Current Employee Benefits	281	219
Total Employee Benefits	1 359	1 185

The total current and non-current employee benefit plus related on costs for 2008 is \$1 259 000 and \$307 000 respectively.

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

57. Provisions	2008	2007
Current:	\$'000	\$'000
Provision for workers compensation	12	10
Total Current Provisions	12	10
Non-Current:		
Provision for workers compensation	33	28
Total Non-Current Provisions	33	28
Total Provisions	45	38
Reconciliation of Provisions		
Carrying amount at 1 July	38	-
Additional provisions recognised	7	63
Payments/other sacrifices of future economic benefits	-	(25)
Carrying Amount at 30 June	45	38

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 Wellbeing branch of the Department of the Premier and Cabinet. These claims are expected to be settled within the next financial year.

58. Interest Bearing Liabilities - SA Government Entities	2008	2007
Current:	\$'000	\$'000
Consolidated Account	-	39
Total Interest Bearing Liabilities	-	39

Interest Rate Risk

The interest bearing liabilities represents monies owed to the Consolidated Account and corresponds with the investment with Adelaide bank shown in Note 53. The liabilities earned a fixed interest rate of 5.5 percent.

59. Other Liabilities	2008	2007
Current:	\$'000	\$'000
Unearned revenue	4 040	4 483
Total Current Other Liabilities	4 040	4 483
Non-Current:		
Unearned revenue	855	880
Total Non-Current Other Liabilities	855	880
Total Other Liabilities	4 895	5 363

60. Unrecognised and Contractual Commitments**(a) Remuneration Commitments**

Amounts disclosed include commitments arising from employment contracts for the Support Services to Parliamentarians. No remuneration contracts greater than five years are offered.

	2008	2007
	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under employment fixed-term contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	1 189	1 348
Later than one year but not later than five years	1 777	1 774
Total Remuneration Commitments	2 966	3 122

(b) Operating Lease Commitments

At the reporting date, the Support Services for Parliamentarians had operating leases for the lease of office accommodation.

Office accommodation is leased from the Real Estate Management business unit of the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to five years.

	2008	2007
	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	1 420	1 274
Later than one year but not later than five years	1 849	2 528
Total Operating Lease Commitments	3 269	3 802

61. Net Revenue from Administrative Restructure

As a result of the transfer of functions from DTED effective 1 November 2007, the Department recognised the following assets and liabilities:

	2008
	Total
	\$'000
Cash	2 799
Financial assistance loans and receivables	646
Less: Provision for doubtful debts	(13)
Net Assets	3 432

Total income and expenditure attributable to this transfer of functions for 2007-08 were:

	DTED	DTF	
	01.07.07 to	01.11.07 to	
	31.10.07	30.06.08	
	\$'000	\$'000	Total
			\$'000
Grants and contribution	-	23	23
Interest	-	4	4
Total Income	-	27	27
Supplies and services	641	-	641
Doubtful debts	-	129	129
Discounted Cash flow valuation for loans	-	210	210
Total Expenses	641	339	980
Net Result	(641)	(312)	(953)

As a result of the transfer of functions from DAIS effective 1 January 2007, the State Procurement Board - Gaming Machines Account and State Government Auctions transferred to the Department.

The Department recognised the following assets and liabilities:

	State	State	
	Procurement	Government	
	Board -	Auctions	
	Gaming		
	Machines		
	\$'000	\$'000	Total
			\$'000
Cash	991	186	1 177
Total Assets	991	186	1 177
Payables	33	186	219
Other	958	-	958
Total Liabilities	991	186	1 177
Net Assets	-	-	-

61. Net Revenue from Administrative Restructure (continued)

Total income and expenditure attributable to the State Procurement Board - Gaming Machines for 2006-07 were:

	DAIS 01.07.06 to 31.12.06 \$'000	DTF 01.01.07 to 30.06.07 \$'000	Total \$'000
Fees and charges	10 809	9 492	20 301
Interest	51	58	109
Total Income	10 860	9 550	20 410
Supplies and services	10 860	9 550	20 410
Total Expenses	10 860	9 550	20 410
Net Result	-	-	-

Total income and expenses attributable to State Government Auctions for 2006-07 were:

	DAIS 01.07.06 to 31.12.06 \$'000	DTF 01.01.07 to 30.06.07 \$'000	Total \$'000
Fees and charges	3 461	2 169	5 630
Total Income	3 461	2 169	5 630
Supplies and services	3 461	2 169	5 630
Total Expenses	3 461	2 169	5 630
Net Result	-	-	-

62. Contingent Assets and Liabilities

The following contingent liabilities and assets exist for the Administered Items:

- Under an agreement between National Power South Australia Investments Ltd and the Treasurer for Pelican Point, National Power is to undertake landscaping works and development of public amenities on certain leased land. The cost of these works is to be refunded to the lessee at the expiration of the initial five year term. The maximum exposure value of the contingent obligation at 30 June 2008 has been estimated at \$300 000. As the Electricity Reform and Sales Operating Account has been closed, this amount is to be paid from the Consolidated Account.
- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.
- Under an agreement, dated 9 May 1996, with the National Electricity Code Administrator (NECA), the Treasurer may be required to contribute to the winding up of NECA. The maximum exposure of the contingent liability at 30 June 2008 is capped at \$350 000.
- Under an agreement, dated 9 May 1996, with the National Electricity Market Management Company (NEMMCO), the Treasurer may be required to contribute to the winding up of NEMMCO. The maximum exposure of the contingent liability at 30 June 2008 is capped at \$1 500 000.
- Under an agreement between Osborne Cogeneration Pty Ltd and the Treasurer for the Osborne Generation Plant, the Treasurer has guaranteed the performance of certain obligations as to the Osborne arrangements. In addition, Babcock and Brown International Pty Ltd has provided an indemnity to the Treasurer. The maximum exposure of the guarantee is estimated at \$150 million - \$200 million.
- Under an agreement with the South Australian Netball Association, the Treasurer has guaranteed the repayment of a loan, which the South Australian Netball Association has with an external banking institution with a total exposure value of \$1 800 000.
- Financial obligations under various assistance agreements with the Treasurer relating to the industry investment attraction fund, the structural adjustment fund for South Australia, the strategic industry support fund, the innovation and investment fund for South Australia, the GM Holden G 8 safety project fund, the regional development infrastructure fund, the USG and OEZ fund, and the rural towns development fund are subject to performance criteria by those entities receiving assistance. The maximum exposure is estimated at \$61 517 000.

63. Lease

The Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 000 000. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with AASB 117. The consideration of \$1 000 000 has been recorded as unearned revenue and is being apportioned over the life of the lease.

64. Cash Flow Reconciliation

- (a) Reconciliation of Cash - Cash at 30 June as per:
Cash Flow Statement
Balance Sheet

	2008	2007
	\$'000	\$'000
	1 119 103	1 070 465
	1 119 103	1 070 465

(b) **Reconciliation of Net Cash provided by Operating Activities to Operating Surplus**

Net cash provided by operating activities	39 354	166 884
Add: Non-cash items:		
Depreciation	(185)	(147)
Bad debts	(2 899)	(3 848)
Doubtful debts	2 328	2 404
Discounted cash flow adjustment	5 950	6 106
Loans converted to grants	(547)	(937)
Grants converted to loans	-	75
Non-current assets accrual in payables	(23)	23
Assets recognised for the first time	-	135
Interest written off	181	-
Interest on restructure of loans	115	-
Change in Assets and Liabilities:		
Increase in receivables	1 004	4 545
Decrease in other assets	(39)	(76)
Increase in payables	(21 245)	(152 929)
Increase in employee benefits	(174)	(1 185)
Increase in provisions	(7)	(38)
Decrease in interest bearing liabilities	39	76
Decrease (Increase) in other liabilities	468	(1 665)
Operating Surplus	27 752	19 423

65. Financial Instruments/Financial Risk Management**65.1 Categorisation of Financial Instruments**

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

	Note	2008		2007	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets					
Cash:					
Cash and cash equivalents	51	1 119 103	1 119 103	1 070 465	1 070 465
Loans and receivables:					
Receivables ⁽¹⁾	52	18 569	18 569	18 317	18 317
Investments - Held to maturity:					
Other financial assets	53	910	1 082	1 150	1 150
Total Financial Assets		1 138 582	1 138 754	1 089 932	1 089 932
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables ⁽¹⁾	55	1 518 246	1 518 246	1 497 002	1 497 002
Interest bearing liabilities	58	-	-	39	39
Total Financial Liabilities		1 518 246	1 518 246	1 497 041	1 497 041

- (1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law.' All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost 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 does not engage in high risk hedging for its financial assets.

Credit Risk (continued)

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 52 for information on the allowance for impairment in relation to receivables.

65.2 Ageing Analysis of Financial Assets

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

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables ⁽¹⁾	18 522	11	40	18 573
Impaired:				
Receivables ⁽¹⁾	4	9	1 005	1 018
2007				
Not Impaired:				
Receivables ⁽¹⁾	17 502	25	265	17 792
Impaired:				
Receivables ⁽¹⁾	-	8	2 419	2 427

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables. 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.' They are carried at cost.

65.3 Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturity			
	Carrying Amount \$'000	Less than 1 Year \$'000	1-5 Years \$'000	More than 5 Years \$'000
2008				
Financial Assets:				
Cash and cash equivalent	1 119 103	1 119 103	-	-
Receivables	18 569	18 569	-	-
Other financial assets	910	411	45	454
Total Financial Assets	1 138 582	1 138 083	45	454
Financial Liabilities:				
Payables	1 518 246	1 024 260	15 725	478 261
Total Financial Liabilities	1 518 246	1 024 260	15 725	478 261
2007				
Financial Assets:				
Cash and cash equivalent	1 070 465	1 070 465	-	-
Receivables	18 317	18 317	-	-
Other financial assets	1 150	22	491	93
Total Financial Assets	1 089 932	1 088 804	491	93
Financial Liabilities:				
Payables	1 497 002	999 946	14 314	482 742
Interest bearing liabilities	39	39	-	-
Total Financial Liabilities	1 497 041	999 985	14 314	482 742

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 continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. 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.

The carrying amount of financial liabilities recorded in Note 65.1 represent the Department's maximum exposure to financial liabilities.

Market Risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity Disclosure Analysis

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.

66. Events after Balance Date

There were no events occurring after balance date that have material financial implications on these financial statements.

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY

Establishment

The University of Adelaide (the University) is established by the *University of Adelaide Act 1971*.

Functions

The University has the objective of advancing learning and knowledge which it achieves through the provision of university education and the conduct of research activities.

The University has financial interests in a number of entities as detailed in Notes 2, 32, 33 and 34 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 to obtain sufficient evidence to enable an opinion to be formed with respect to the financial statements and internal controls.

During 2007, specific areas of audit attention included:

- procurement and accounts payable
- payroll
- revenue including government financial assistance, student fees, research revenue and other revenue
- fixed assets including capital works in progress
- financial assets
- liabilities, including provisions
- general ledger
- corporate governance arrangements
- North Terrace development project management
- monitoring of controlled entity operations
- information systems and computer processing environments.

The audits of the controlled entities for the year ending 31 December 2007 were carried out by private accounting firms.

An understanding of internal audit activities was obtained to identify and assess the risks of material misstatement of the financial report and to design and perform audit procedures.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the University of Adelaide and the consolidated entity as at 31 December 2007, 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 Funding Act 1988* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Documenting Policies and Procedures, Corporate Governance, Procurement and Accounts Payable and Payroll as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide 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 Vice Chancellor. Responses to the issues raised were generally considered to be satisfactory. The main issues raised with the University and the related responses are presented below.

Documenting Policies and Procedures

An area that has been the subject of past audit comment is the need for the University to establish documented accounting policies and procedures. The University has committed resources to address this matter and made progress in this area over the last two years. During 2007 the University issued the policies and procedures for revenue and has continued to work on the accounts payable policies and procedures. The University needs to continue to dedicate the necessary resources to ensure policies and procedures for the remaining financial operations are finalised, approved and promulgated to staff.

The University has advised that it will continue to dedicate the necessary resources to ensure policies and procedures are completed for the remaining financial operations.

Corporate Governance

Previous reports have included comment on the need for the University to address gaps in its risk management practices and the recommended action that the University review its resource commitment to the timely development and implementation of a robust risk management framework. It is considered that key aspects of a robust risk management framework are still outstanding.

While the first stage of a detailed project plan to implement a comprehensive risk management framework was completed in 2007, the following components have not been implemented:

- evaluate controls currently in place for each risk
- allocate risks to risk owners and formalise risk mitigation plans
- formalise the risk reporting processes and finalise and promulgate risk management policies, procedures and templates to staff.

The University has advised that the risk management framework together with policy and procedures should be approved and published in 2008. The University is providing risk management education and support to all its faculties/divisions and controlled entities on a continuing basis.

Procurement and Accounts Payable

In 2005 Audit recommended that the University develop and implement a University wide procurement framework including formal policies and procedures requiring the use of purchase orders.

The University has reviewed its procurement practices and has commenced projects to address the issues raised by Audit over the past two years. One of the main changes arising from the University's procurement review is the implementation of a purchase cards/expense management system for transactions under \$5000 and an electronic approval system for purchase orders relating to transactions over \$5000. An on-line requisition system is also expected to be implemented in 2009.

As these projects will take certain time to finalise, Audit has recommended that the University should consider adopting interim measures for University wide procurement while the procurement projects are being completed. In particular, Audit recommended that the University require the use of purchase orders for transactions over \$5000 and that interim policies and procedures be introduced to address this matter.

The University has advised that it will require purchase orders to be raised for purchases exceeding \$5000.

Payroll

Audit has, since 2005, reported on the need for the University to implement effective controls over its payroll function. To address some of the issues raised by Audit, the University has issued guidelines with respect to the management of leave and leave reporting and has implemented an annual check to gain assurance that employees on the payroll system are bona fide.

The University has advised that formal changes to payroll processes and formalisation of policies and procedures are to occur with the implementation of a new payroll system. This matter, together with the implementation of the new payroll system, will be addressed during the 2008 audit.

Information and Communications Technology (ICT) Review

The audit for 2008 considered the arrangements for the management and control of ICT across the University and an assessment of specific ICT controls over the personnel and payroll and accounts payable systems and their computer processing environments. Controls over Electronic Fund Transfers (EFT) associated with the payroll and accounts payable functions were also addressed.

Review Findings

The review of management and control of ICT across the University concluded that a number of important elements of effective control were in place or in progress. These included:

- an ICT strategy, to be complemented by the development of an ICT plan
- alignment of the strategy with the University's business plan
- ICT planning and management committees
- elements of risk management practice
- performance reporting by the University's Information Technology Services department
- commencement of a project to develop a University-wide business continuity framework.

The University indicated during the review that these important elements are being addressed within the context of the preparation of a formal ICT governance framework anticipated to be implemented by the end of 2008.

It is considered that the completion of the over-arching ICT governance framework and business continuity plan framework are significant developments to facilitate the co-ordination and finalisation of the important elements of management and control of ICT across the University.

The review of ICT controls over the financial and accounting systems and aspects of their computer processing environments noted some opportunities to improve control arrangements. The notable matters related to enhancing the documentation and review of the segregation of duties and functions, improving security over EFT file access and enhancing physical security over the computer systems facilities.

Response to Review

A detailed response advising of actions in progress and planned to address all matters was received from the University.

In particular, the University advised that the development of an ICT governance framework was on schedule and that it would be developing a business continuity plan framework covering both enterprise wide and business unit levels in 2009.

Planned actions in regard to controls at the system and environment level, included improvements in procedural and internal service documentation and a review of physical access arrangements to the data centres and the segregation of duties and functions relating to both systems. For the personnel and payroll system this latter matter will be progressed in conjunction with a planned system upgrade.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT (CONSOLIDATED)

The revenue and expense items for the interpretation and analysis of the financial report has been sourced from Note 36 as this has been prepared in accordance with the DEEWR reporting guidelines and provides consistency and comparability with the other Universities.

Highlights of the Financial Report (Consolidated)

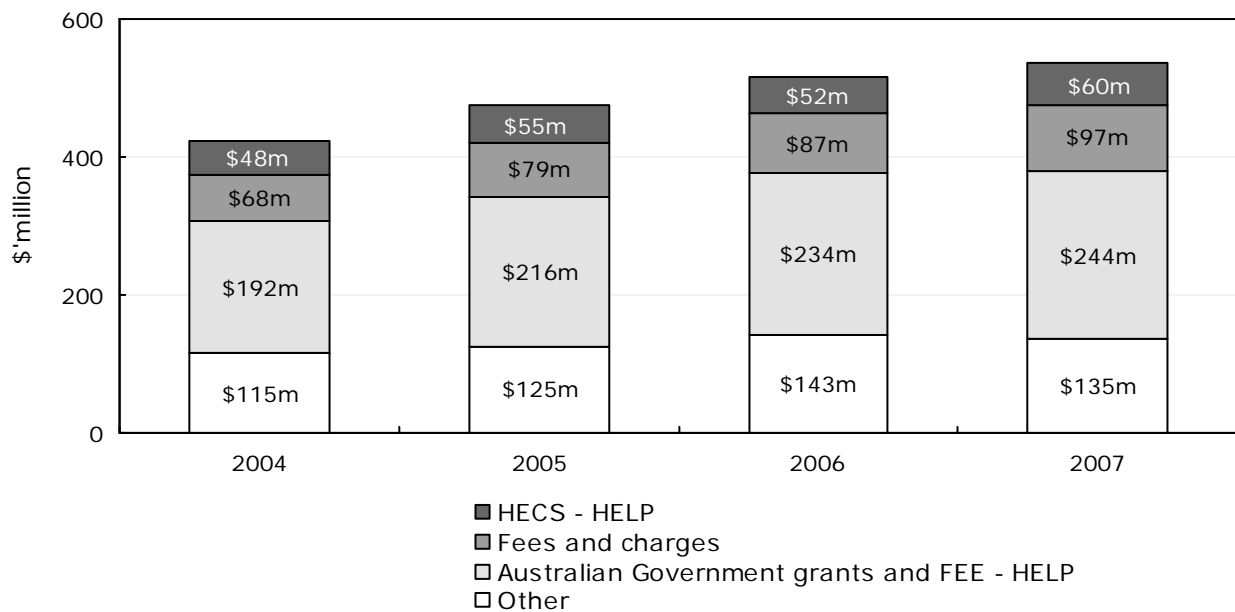
	2007	2006	Percentage
	\$'million	\$'million	Change
REVENUE			
Australian Government grants and FEE - HELP	244	234	4
HECS - HELP (Australian Government and student)	60	52	15
Fees and charges	97	87	11
Other	135	143	(5)
Total Revenue	536	516	4
EXPENSES			
Employment benefits	280	257	9
Other expenses	223	220	2
Total Expenses	503	477	5
Operating Result from Continuing Operations	33	39	(15)
NET CASH FLOWS FROM OPERATIONS	37	52	(29)
ASSETS			
Current assets	120	153	(22)
Non-current assets	906	781	16
Total Assets	1 026	934	10
LIABILITIES			
Current liabilities	82	70	17
Non-current liabilities	78	77	1
Total Liabilities	160	147	9
EQUITY	866	787	10

Income Statement (Consolidated)**Revenue**

Revenue increased by \$20.5 million to \$536 million mainly as a result of an:

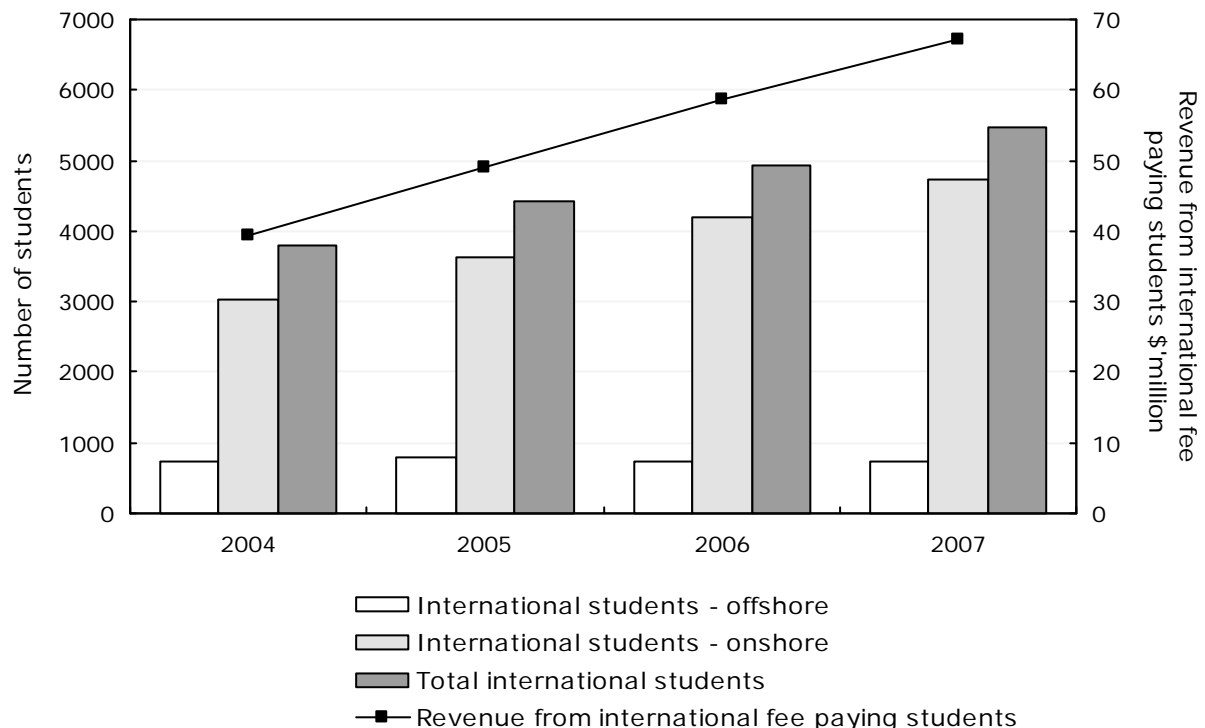
- increase in Australian Government financial assistance of \$18.1 million;
- increase in Fees and Charges of \$9.5 million. This increase is attributable mainly to an increase in student fee income of \$10 million of which \$8.6 million relates to international fee paying students;
- decrease in Investment Revenue of \$11.4 million which reflects the decline in the composite fund performance in 2007 as compared to 2006.

A structural analysis of operating revenues for the University in the four years to 2007 is presented in the following chart.



The rise in revenue from other sources between 2005 and 2006 was due to increased funding from State and Local Governments (\$10.5 million) and increased Investment Income (\$7.5 million). The reduction from 2006 to 2007 reflects the decrease in Investment Income as referred to above.

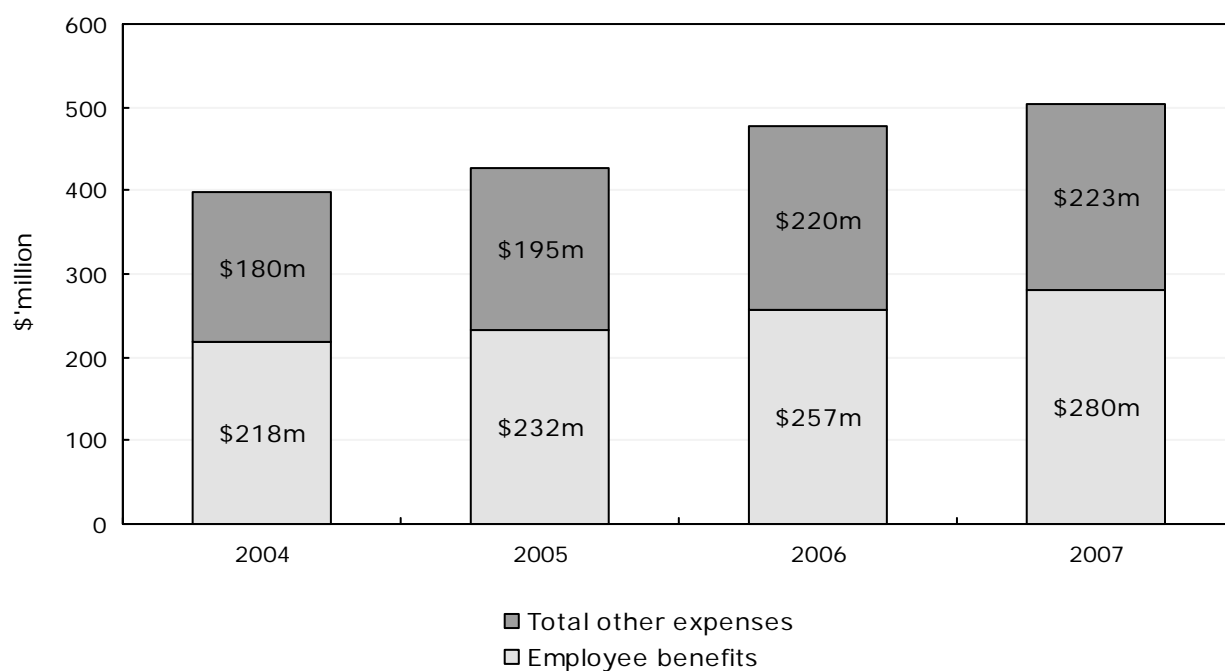
The following chart highlights the general upward trend in the revenue received from international fee paying students and the increase in international fee paying students.



Expenses

Expenditure from continuing operations rose by \$25.9 million to \$503 million and is attributed mainly to employee benefits of \$23.6 million. This increase included \$12.7 million for Enterprise Bargaining wage increases, \$4 million for the establishment of new positions to support growth across the University and one off project related costs of \$2 million.

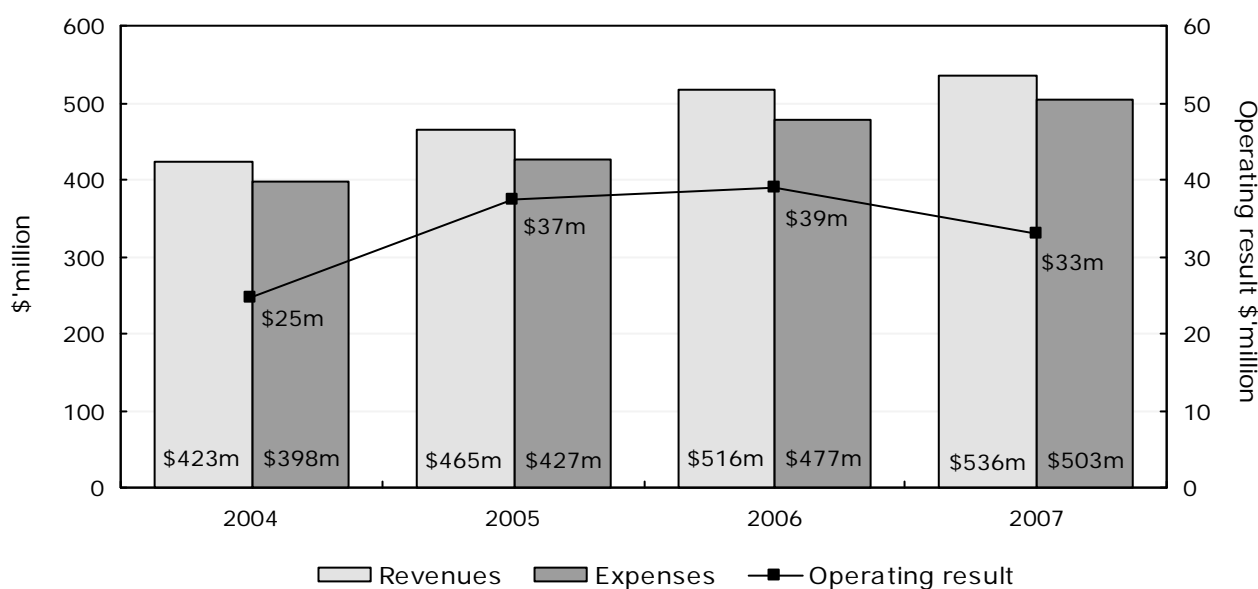
The following chart shows the growth in employee expenses in relation to total other expenses over the four years to 2007.



Operating Result from Continuing Operations

The consolidated operating result for the year was a surplus of \$33.1 million (\$38.9 million), a decrease of \$5.8 million.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2007.



The significant increase in the University's operating surplus for 2005 was due principally to changes in the timing of payments to the University by the Commonwealth of operating grants.

Balance Sheet (Consolidated)

The consolidated net assets of the University at 31 December 2007 totalled \$866 million (\$787 million), an increase of \$78.5 million.

Current Assets

The value of the University's current assets decreased by \$33.5 million to \$119.9 million. This is attributable mainly to a decrease in cash and cash equivalents held at 31 December 2007. Refer to Cash Flow Statement below for further analysis.

Non-Current Assets

The value of the University's non-current assets increased by \$125.2 million to \$906.1 million. The increase is attributable mainly to an increase in:

- other financial assets of \$20.1 million;
- property, plant and equipment of \$103.2 million. This reflects the net increase from revaluation of land and buildings during the year of \$43.7 million and additions of \$82.1 million of which \$61.6 million relates to the capital redevelopment works.

Current Liabilities

The value of the University's current liabilities increased by \$11.9 million to \$82.4 million. The increase is due mainly to an increase in payables relating to capital expenditure.

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2007.

	2007	2006	2005	2004
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	36.7	51.8	49.6	48.3
Investing	(136)	(17.3)	(37.7)	(27.2)
Financing	(0.3)	(0.1)	(0.1)	(0.2)
Change in Cash (including the effect of exchange rate movements)	(99.6)	34.3	11.7	20.9
Cash at 31 December	21.2	120.8	86.6	74.7

The decrease of \$99.6 million in cash held at 31 December 2007 is due to:

- the University investing \$60.2 million of its surplus working capital into bank bills (refer Note 7);
- a use of cash to meet the costs of the University's capital redevelopment works. Payments for property, plant and equipment totalled \$65.2 million in 2007 as compared to \$33 million in 2006.

Income Statement for the year ended 31 December 2007

	Note	Consolidated		University	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Received under <i>Higher Education Support Act</i> :					
Base operating financial assistance	4	130 495	124 310	130 495	124 310
Other operating financial assistance	4	9 443	7 497	9 443	7 497
Higher Education Contribution Scheme	4	59 707	51 444	59 707	51 444
		199 645	183 251	199 645	183 251
Learning and Teaching:					
Student fees	4	87 370	77 010	87 370	77 010
Grants		18 104	24 610	18 104	24 610
		105 474	101 620	105 474	101 620
Research Grants and Fees:					
National competitive grants		61 076	63 214	61 076	63 214
Public sector - Other		28 830	26 104	25 867	23 916
Industry and other		16 282	15 567	13 497	13 566
		106 188	104 885	100 440	100 696
Research - Other:					
Cooperative Research Centre direct funding		6 489	7 575	6 489	7 635
Research infrastructure program		14 771	15 033	14 771	15 033
		21 260	22 608	21 260	22 668
Other:					
Investment revenue	4	18 401	30 158	23 337	27 779
Property revenue	4	11 957	10 311	11 970	9 953
Specialist services and trading	4	53 658	43 360	15 494	14 620
Deferred government superannuation contributions		(1 200)	600	(1 200)	600
Other	4	21 551	18 525	20 372	13 198
		104 367	102 954	69 973	66 150
Total Operating Revenue from Continuing Operations		536 934	515 318	496 792	474 385
Share of operating results of associates and joint ventures accounted for using the equity method	4	(797)	366	-	-
Total Revenue from Continuing Operations		536 137	515 684	496 792	474 385
EXPENSES FROM CONTINUING OPERATIONS:					
Salaries and related expenses	5	277 348	253 807	268 026	245 991
Student services		25 600	23 948	25 600	23 948
Teaching and research	5	49 595	52 381	50 221	52 302
Buildings and grounds	5	33 005	32 134	31 894	30 892
Finance costs	5	466	143	466	143
Administration, communication and travel	5	82 273	78 188	52 511	48 534
Finance and fund administration		2 509	2 831	2 526	2 866
Miscellaneous equipment, depreciation and net loss on disposal of assets	5	30 589	30 306	29 991	30 925
Deferred Government employee benefits for superannuation		1 684	3 406	1 684	3 406
Total Expenses from Continuing Operations		503 069	477 144	462 919	439 007
OPERATING RESULT FROM CONTINUING OPERATIONS		33 068	38 540	33 873	35 378
Operating result from discontinued operations	6	-	359	-	-
OPERATING RESULT BEFORE MINORITY INTERESTS		33 068	38 899	33 873	35 378
Operating result attributable to minority interest		(373)	15	-	-
NET OPERATING RESULT FOR THE YEAR		32 695	38 914	33 873	35 378

Balance Sheet as at 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:	Note				
Cash and cash equivalents	7	21 241	120 805	14 825	95 344
Receivables	8	25 663	20 509	21 999	17 288
Other financial assets	9	60 314	2 425	60 314	2 425
Inventories	11	8 056	3 685	1 245	1 383
Other non-financial assets	12	4 604	4 414	4 554	4 300
Available-for-sale financial assets	14	-	1 585	-	-
Total Current Assets		119 878	153 423	102 937	120 740
NON-CURRENT ASSETS:					
Other financial assets	9	120 750	100 617	121 299	100 917
Derivative financial instruments	10	1 637	-	1 637	-
Investments accounted for using the equity method	13	2 672	3 329	573	433
Available-for-sale financial assets	14	-	-	46 710	48 086
Property, plant and equipment	15	715 868	612 681	674 601	575 418
Investment property	16	21 307	18 890	21 307	18 890
Intangible assets	17	379	635	379	635
Other non-financial assets	12	1 172	1 206	1 172	1 206
Deferred Government superannuation contribution	27	42 300	43 500	42 300	43 500
Total Non-Current Assets		906 085	780 858	909 978	789 085
Total Assets		1 025 963	934 281	1 012 915	909 825
CURRENT LIABILITIES:					
Payables	18	54 116	42 302	38 358	28 394
Borrowings	19	59	1 217	6	1 217
Provisions	20	18 056	17 205	17 506	16 687
Deferred employee benefits for superannuation	27	3 200	3 300	3 200	3 300
Other	21	6 996	6 547	20 947	6 386
Total Current Liabilities		82 427	70 571	80 017	55 984
NON-CURRENT LIABILITIES:					
Payables	18	6 532	5 494	6 516	5 440
Borrowings	19	7	68	62	68
Provisions	20	32 330	30 905	32 141	30 688
Deferred employee benefits for superannuation	27	39 100	40 200	39 100	40 200
Total Non-Current Liabilities		77 969	76 667	77 819	76 396
Total Liabilities		160 396	147 238	157 836	132 380
NET ASSETS		865 567	787 043	855 079	777 445
EQUITY:					
Capital reserves	23	511 507	467 817	525 320	483 398
Specific purpose reserves	23	205 155	186 941	205 155	186 941
Retained surplus	23	147 103	130 609	124 604	107 106
Total University Interest		863 765	785 367	855 079	777 445
Minority interest		1 802	1 676	-	-
TOTAL EQUITY		865 567	787 043	855 079	777 445

Statement of Recognised Income and Expenses for the year ended 31 December 2007

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Total Equity at 1 January	787 043	748 931	777 445	742 016
Minority equity interest distribution paid	(260)	(70)	-	-
Defined benefits fund actuarial gain	212	3 188	212	3 188
Gain on revaluation of land and buildings	43 719	(90)	40 400	-
Gain on revaluation of available-for-sale financial assets	100	(3 938)	1 522	(3 137)
Gain on interest rate swap contracts	1 637	-	1 637	-
Other adjustments recognised directly in equity	48	123	(10)	-
Net Income Recognised Directly in Equity	45 456	(787)	43 761	51
Operating result for the year	33 068	38 899	33 873	35 378
Total Recognised Income and Expense for the Year	78 524	38 112	77 634	35 429
Total Equity at 31 December	865 567	787 043	855 079	777 445
Total Recognised Income and Expense for the Year				
Attributable to:				
Members of the University of Adelaide	32 695	38 914	33 873	35 378
Minority interest	373	(15)	-	-
	33 068	38 899	33 873	35 378

Cash Flow Statement for the year ended 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Australian Government Financial Assistance	37(g)	290 447	276 943	290 447	276 943
State Government financial assistance		19 191	26 409	18 936	26 236
HECS-HELP - Student upfront payments		10 236	9 773	10 236	9 773
Fee paying student revenue received		83 209	71 812	83 209	71 812
Fees and charges		16 070	16 447	16 070	16 447
Donations and bequests		7 023	4 707	7 023	4 707
Interest and dividends received		10 253	10 056	7 471	6 824
Consultancy and contract research		48 967	47 946	27 639	29 727
Specialist services and produce trading		16 960	22 994	4 867	5 099
GST received		20 377	18 801	19 101	17 552
Other		16 335	20 651	16 498	20 670
Total Inflows		539 067	526 539	501 496	485 790
OUTFLOWS:					
Salaries and related expenses		(269 565)	(250 083)	(260 639)	(240 505)
Student services		(25 659)	(23 925)	(25 612)	(23 863)
Goods and services		(183 253)	(182 171)	(156 464)	(150 615)
Interest and other costs of finance		(466)	(145)	(466)	(143)
GST paid		(23 456)	(18 430)	(20 363)	(15 825)
Total Outflows		(502 399)	(474 754)	(463 544)	(430 951)
Net Cash provided by Operating Activities	24	36 668	51 785	37 952	54 839
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		807	980	663	808
Proceeds from sale of financial assets		7 019	13 413	7 517	5 413
Proceeds from sale of available-for-sale financial assets		860	7 718	-	-
Increase in loans		44	31	8	31
Repayment of loans by related parties		103	816	2 503	791
Increase to funds held on deposit		-	-	14 233	-
Total Inflows		8 833	22 958	24 924	7 043
OUTFLOWS:					
Purchase of shares in subsidiary		-	-	-	(100)
Payments for property, plant and equipment		(65 195)	(33 005)	(63 903)	(31 977)
Payments for intangible assets		-	(38)	-	-
Purchase of investments - held for trading		(19 264)	(7 226)	(18 802)	(6 156)
Purchase of investments - held to maturity		(60 173)	-	(60 173)	-
Decrease in loans		(149)	(6)	(77)	(6)
Increase in loans to related parties		(34)	(25)	(450)	(300)
Total Outflows		(144 815)	(40 300)	(143 405)	(38 539)
Net Cash used in Investing Activities		(135 982)	(17 342)	(118 481)	(31 496)
CASH FLOWS FROM FINANCING ACTIVITIES:					
INFLOWS:					
Issue of shares to outside equity interests		-	200	-	-
Total Inflows		-	200	-	-
OUTFLOWS:					
Repayment of borrowings		-	(138)	-	-
Dividends paid to minority interests		(260)	(194)	-	-
Total Outflows		(260)	(332)	-	-
Net Cash used in Financing Activities		(260)	(132)	-	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(99 574)	34 311	(80 529)	23 343
CASH AND CASH EQUIVALENTS AT 1 JANUARY		120 805	86 585	95 344	72 092
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		10	(91)	10	(91)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	21 241	120 805	14 825	95 344

During 2007 the University invested its surplus working capital into bank bills. These bank bills have been reported as Financial Assets held-to-maturity within Note 9 (\$60.2 million). As a consequence these amounts are not reported within Cash and Cash Equivalents and the movement in these assets are not reported within the Cash Flow Statement. During 2006 the University held its surplus working capital in high interest deposits. These deposits were reported within Cash and Cash Equivalents and reported within the Cash Flow Statement

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with AASs, Australian Accounting Standards Board (AASB) Interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR) and South Australian Treasurer's Instructions and the Accounting Policy Framework issued under the provisions of the PFAA (except where in conflict with DEEWR requirements).

(a) Compliance with IFRSs

The financial statements and notes of the University comply with AASs, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

(b) Critical Accounting Estimates

Preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable, in the relevant notes to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 the future periods if the revision affects both current and future periods.

2. Scope of Reporting

The financial statements and notes disclose the 2007 operating results and 2006 comparative results of The University of Adelaide as follows:

University — refers to all aspects of operation of The University of Adelaide only.

Consolidated — refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer to Note 32). It includes the University's interests in associated entities (Note 33) and its joint venture operations (Note 34), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust:
 - ACN 008 123 466 Pty Ltd (Formerly Repromed Pty Ltd)
 - Reproductive Health Science Pty Ltd (control ceased 28 September 2006)
- Lubims Pty Ltd as trustee for the Unihealth Research & Development Trust
- Martindale Holdings Pty Ltd as trustee for:
 - JS Davies Estate
 - JAT Mortlock Trust
 - The Roseworthy Farm
- National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust
- Roseworthy Piggery Pty Ltd

3. Statement of Significant Accounting Policies

(a) Basis of Accounting

This general purpose financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

(b) Principles of Consolidation

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the parent entity, and its controlled entities ('the Consolidated Entity'). All entities have a 31 December reporting period. Martindale Holdings Pty Ltd changed its reporting period from 31 March to 31 December during 2007.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Minority interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) Foreign Currency

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Income Statement. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) Revenue Recognition

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Grant Revenue

Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received.

Student Tuition Fees and Charges

Student tuition fees and charges are recognised in the accounting period in which the service is provided.

Consultancy, Contract and Industry Research

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

Bequests and Donations

Bequests and donations are recognised as income in the accounting period they are received.

Interest and Investment Income

Interest and income from investments are recognised as they accrue (Refer to Note 3(j)).

Asset Sales

The net gain/loss from asset sales is included in the Consolidated Entity Income Statement. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) GST

Revenues, expenses, assets and liabilities 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 are stated with the amount of GST included.

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

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

(f) Intangible Assets

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised in the period as incurred.

(f) Intangible Assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment whereby impairment is tested annually (refer to Note 17).

(g) Employee Benefits***Wages and Salaries***

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary rates as at the balance date and have been recognised in payables.

Annual Leave

The employees' entitlements to annual leave expected to be settled within 12 months of the balance date have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the balance date, the provision has been discounted to present value using the Australian Government three year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

Long Service Leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employees' entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Australian Government securities at balance date, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Income Statement. For defined benefit plans, the actuarial gains and losses are recognised immediately in the Statement of Changes in Equity in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Balance Sheet. Refer to Note 27 for details relating to the individual schemes.

(h) Receivables

The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Other Financial Assets

The Consolidated Entity classifies its investment into the following categories: financial assets held for trading, financial assets held-to-maturity, available for sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at each balance date.

Financial Assets Held-for-Trading

The financial assets are classified in this category if acquired for the purpose of selling in the short-term and the assets are subject to frequent changes in fair value. Financial assets held for trading purposes are recorded at fair value in the Balance Sheet, with any realised and unrealised gains or losses recognised in the Income Statement.

- **Composite Fund**

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the composite fund represents a long term investment holding. As a consequence, these investments are reported in non-current financial assets in the Balance Sheet at market values obtained from the investment managers.

Financial Assets Held-to-Maturity

During 2007 the University transferred funds held in deposits at call into bank bills with fixed maturity dates. The bank bills held at balance date had original maturities of between 120 days to 180 days. Financial assets held to maturity are recognised at cost.

Available-for-Sale Financial Assets

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading. Available for sale financial assets are recorded at fair value less impairment in the Balance Sheet. Unrealised gains and losses arising from changes in fair value are recognised directly in the revaluation reserve, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the Income Statement for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

Loans and Receivables

The financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes (refer to Note 31). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. Financial instruments that are not traded in an active market are recognised at cost. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

(k) Derivative Financial Instruments

The Consolidated Entity enters into interest rate swaps (Derivative financial instrument) to manage its exposure to movements in interest rates on its future borrowings.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the interest rates swaps are effective hedging instruments.

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Hedge Accounting

The Consolidated Entity has designated the interest rate swaps as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designed and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. As at 31 December 2007 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the Income Statement in the periods when the hedged item is recognised in the Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

(l) Investments in Business Undertakings*Controlled Entities*

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Income Statement when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises a significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at cost.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Income Statement after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity.

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 34(a)(i). In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at the balance date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The University's interest in Other Joint Ventures, as described in Note 34(a)(ii), are accounted for using the equity method of accounting.

Other Business Undertakings

The Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non-publicly listed investments, these have been valued at lower of cost or net realisable value (refer to Note 3(j)).

(m) Inventories*Consumable Materials and Trading Stock*

The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.

Livestock

The University breeds animals for teaching and research activities and not-for-profit. Consequently it does not attribute a value to livestock for recording in the Balance Sheet. Where controlled entities have reported livestock, this is included at the lower of cost or net realisable value.

(n) Property, Plant and Equipment*Acquisitions*

Items of property, plant and equipment are initially recorded at cost in the Balance Sheet (unless otherwise indicated) and depreciated in accordance with Note 3(p).

Revaluations

During 2007 land and buildings were independently valued on a fair value basis in accordance with AASs.

Increases in the carrying amounts arising on revaluation of each class of assets, being land and buildings, library collection and works of art are credited to capital reserves in equity within the Balance Sheet except to the extent that they reverse previous reductions in the carrying amounts which were charged to the Income Statement. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the Income Statement.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of land and buildings has been carried out by Mr N Satchell, AAPI, BAppSc (Val), Mr Greg McCloud, AAPI, BAppSc (Val), Mrs Kate Tynan, AAPI, BBus Prop (Val) of Rushton Valuers Pty Ltd on 31 December 2007.

Other Collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Balance Sheet. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

The Library collection was revalued on 31 December 2007 using an internal valuation based on the annual price movement of books and journals.

Works of Art

Works of art greater than \$2000, are recorded at fair value on the basis of an independent valuation carried out by Mr J F B Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 31 December 2005. No provision for depreciation is made for works of art.

Leased Plant and Equipment

Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis, over the period of the lease.

(o) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income Statement for the amount by which 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.

(p) Depreciation and Amortisation

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land, on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

	<i>Range</i>
Buildings	20-160 years
Leasehold improvements	10-50 years
Library	10 years
Plant and equipment including motor vehicles	5-10 years
Leased plant and equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(q) Investment Properties

Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

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 asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are re-valued to fair value, which is based on active market prices, with changes in the fair value recognised in the income statement in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

An independent valuation of investment properties has been carried out by Mr N Satchell, AAPI, BAppSc (Val) of Rushton Valuers Pty Ltd on 31 December 2007.

(r) Workers Compensation

The University is responsible for payments of workers compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by Mercer Human Resource Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development of the case estimated incurred cost (case estimates plus paid to date) is calculated and development factors adopted based on past experience. These development factors are used, together with the adopted payment rates, to project payments and estimates for future payment years.

(s) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and FBT.

(t) Operating Revenue - Other

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges.

(u) Borrowings and Finance Costs

All borrowing and finance costs are expensed in the period in which they are incurred.

(v) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

4. Revenue from Continuing Operations

	Consolidated		University	
Received under Higher Education Support Act:	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Base operating financial assistance:				
Commonwealth Grants Scheme				
(Commonwealth supported places)	85 006	78 182	85 006	78 182
Institutional Grants Scheme	16 500	16 371	16 500	16 371
Research Training Scheme	28 989	29 757	28 989	29 757
	130 495	124 310	130 495	124 310
Other operating financial assistance	9 443	7 497	9 443	7 497
Higher Education Contribution Scheme:				
HECS-HELP student upfront payments	10 236	9 773	10 236	9 773
Australian Government financial assistance	49 471	41 671	49 471	41 671
	59 707	51 444	59 707	51 444
	199 645	183 251	199 645	183 251
Student fee income includes:				
Fee paying student revenue received				
Award Courses:				
Australian fee paying undergraduate students	2 680	2 363	2 680	2 363
Australian fee paying postgraduate students	3 258	3 638	3 258	3 638
International fee paying students	67 287	58 644	67 287	58 644
	73 225	64 645	73 225	64 645
Non-Award Courses:				
Continuing education	444	473	444	473
Australian fee paying	3 072	1 842	3 072	1 842
Other teaching service fees	4 319	4 073	4 319	4 073
	7 835	6 388	7 835	6 388
	81 060	71 033	81 060	71 033
Australian Government financial assistance:				
FEE-HELP	5 378	5 078	5 378	5 078
Overseas postgraduate research scholarship	932	899	932	899
	87 370	77 010	87 370	77 010
Investment Revenue:				
General fund earnings	9 209	8 244	7 926	6 980
Gross proceeds from sale of financial assets	-	6 049	-	-
Net realised gains on composite fund investments	4 471	3 851	4 471	3 851
General and composite fund investment market valuation adjustment	1 019	8 593	1 019	8 593
Unrealised gains on investment properties	2 324	1 119	2 324	1 119
Royalty, trademarks and licences	1 126	2 049	526	708
Dividends received	252	253	216	107
Distributions from controlled entities	-	-	6 855	6 421
	18 401	30 158	23 337	27 779
Property Revenue:				
Rental charges/accommodation fees	8 976	8 279	8 989	7 921
Parking fees	978	929	978	929
Building development and maintenance recovery	1 210	542	1 210	542
Other property revenue	793	561	793	561
	11 957	10 311	11 970	9 953

4. Revenue from Continuing Operations (continued)

	Note	Consolidated		University	
		2007	2006	2007	2006
Specialist Services and Trading:		\$'000	\$'000	\$'000	\$'000
Consultancy fees		21 321	17 556	6 652	4 882
Library charges and fines		936	882	936	882
Sale of services		15 889	13 706	5 704	5 213
Sale of goods		11 534	7 056	892	1 517
Sponsorship and conference income		566	1 426	566	1 426
Other specialist services and trading		3 412	2 734	744	700
		53 658	43 360	15 494	14 620
Other Revenue:					
Bequests and donations received for:					
Research		1 964	956	1 964	956
General operational purposes		5 039	4 097	5 039	4 097
		7 003	5 053	7 003	5 053
Prizes and scholarships		1 314	1 229	1 314	1 229
Net gain from sale of assets and minor equipment		-	2 908	-	-
Recharge of costs to other organisations		218	1 019	218	1 019
Application management and late fee		660	564	660	564
Franchise fees		917	978	917	978
Bad debts recoveries		50	239	50	239
Insurance claim recovery		4 498	-	4 498	-
Salary recharges		1 177	575	1 177	575
AusAid Scholarships and stipends		810	136	810	136
Other revenue		4 904	5 824	3 725	3 405
		21 551	18 525	20 372	13 198
Share of operating results of associates and joint ventures accounted for using the equity method:					
Joint venture operations	34	(855)	302	-	-
Associates	33	58	64	-	-
		(797)	366	-	-
Net Foreign Exchange Gain		10	-	10	-

5. Expenses from Continuing Operations**Salaries and Related Expenses**

Salaries and Related Expenses - Academic:

Salaries	108 298	101 252	108 298	101 252
Contributions to superannuation schemes:				
Emerging cost	1 604	1 610	1 604	1 610
Funded	14 648	12 891	14 648	12 891
	16 252	14 501	16 252	14 501
Payroll tax	6 314	5 638	6 314	5 638
Annual leave	10 970	9 729	10 970	9 729
Long service leave	3 339	3 128	3 339	3 128
Workers compensation	506	442	506	442
Other	4 656	4 530	4 656	4 530
Total Academic Salaries and Related Expenses	150 335	139 220	150 335	139 220

Salaries and Related Expenses - Non-Academic:

Salaries	94 138	85 233	86 415	78 662
Contributions to superannuation schemes:				
Emerging cost	1 279	1 196	1 279	1 196
Funded	11 728	10 760	10 970	10 099
	13 007	11 956	12 249	11 295
Payroll tax	5 388	4 749	4 895	4 531
Annual leave	8 658	8 623	8 487	8 453
Long service leave	2 534	2 592	2 583	2 581
Workers compensation	589	516	391	356
Other	5 583	3 724	5 555	3 699
Total Non-academic Salaries and Related Expenses	129 897	117 393	120 575	109 577
	280 232	256 613	270 910	248 797
Deferred Government employee benefits for superannuation	(1 200)	600	(1 200)	600
Total Salaries and Related Expenses	279 032	257 213	269 710	249 397

Salaries and Related Expenses (continued)

	Note	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Total salaries and related expenses		279 032	257 213	269 710	249 397
Less: Emerging cost		2 884	2 806	2 884	2 806
Deferred Government employee benefits for superannuation		(1 200)	600	(1 200)	600
Salaries and Related Expenses		277 348	253 807	268 026	245 991
Teaching and Research:					
Agriculture, animals and cropping		1 011	1 128	1 011	1 128
Books, subscriptions and printed material		4 145	3 120	4 145	3 120
Laboratory expenses		13 519	13 806	13 519	13 718
Research transfer to other institutions		19 448	21 399	19 448	21 399
Other teaching and research		11 472	12 928	12 098	12 937
		49 595	52 381	50 221	52 302
Buildings and Grounds:					
Cleaning and security		5 319	4 994	5 056	4 654
Property maintenance		10 271	10 931	9 764	10 292
Building leases and rent		11 262	10 041	11 203	9 955
Utilities		6 153	6 168	5 871	5 991
		33 005	32 134	31 894	30 892
Finance Costs:					
Interest		346	1	346	1
Finance charges		120	142	120	142
		466	143	466	143
Administration, Communication and Travel:					
Consultants and specialist services		17 132	14 319	15 002	10 860
Fees and licences		6 084	6 105	6 053	6 088
Insurance		2 659	2 772	2 431	2 692
Administration and communication		39 338	38 095	12 093	12 231
Publicity and fundraising		3 289	4 531	3 234	4 449
Travel, accommodation and entertainment		13 771	12 366	13 698	12 214
		82 273	78 188	52 511	48 534
Miscellaneous equipment, depreciation and net loss on disposal of assets includes:					
Amortisation of Intangible Assets:					
Software		194	267	194	267
Amortisation:	3(p)	909	805	909	805
Leasehold improvements		1 103	1 072	1 103	1 072
Depreciation:	3(p)				
Buildings		9 376	8 786	9 268	8 699
Plant, equipment and motor vehicles		6 660	6 657	5 992	5 921
Library collection		4 493	4 244	4 493	4 244
		20 529	19 687	19 753	18 864
		21 632	20 759	20 856	19 936
Non-capitalised equipment		8 690	9 547	8 690	9 494
Net loss on disposal of assets		267	-	445	1 495
		30 589	30 306	29 991	30 925
Bad and Doubtful Debts:					
Student loans		40	20	40	20
Student tuition		222	311	222	311
Other debtors		50	386	72	321
		312	717	334	652
Net Foreign Exchange Loss		-	91	-	91

6. Discontinued Operations**(a) Description**

ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd), a controlled entity of the University of Adelaide, disposed of its reproductive medicine business, effective as at 15 May 2006. This business represented all of that company's operations and the cash assets held as at 15 May 2006 were retained by the company.

(b) Financial Performance and Cash Flow Information

The financial performance and cash flow information presented are for the period ending 15 May 2006.

		Consolidated		University	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue		-	4 829	-	-
Expenses		-	(4 470)	-	-
Profit (Loss) from Discontinued Operations		-	359	-	-
Net cash inflow (outflow) from operating activities		-	(127)	-	-
Net cash inflow (outflow) from investing activities		-	(123)	-	-
Net Increase (Decrease) in Cash Generated by the Business		-	(250)	-	-

(c) Carrying Amounts of Assets and Liabilities

The carrying amounts of assets and liabilities as at 15 May 2006.

Total assets	-	5 301	-	-
Total liabilities	-	(1 073)	-	-
Net Assets	-	4 228	-	-

(d) Details of the Sale of the Reproductive Medical Services

Consideration received	-	8 000	-	-
Carrying amount of net assets sold	-	(3 721)	-	-
Gain on Sale	-	4 279	-	-

7. Cash and Cash Equivalents

3(i)

Cash at bank or on hand	12 278	18 501	6 369	11 110
Deposits at call	8 963	102 304	8 456	84 234
	21 241	120 805	14 825	95 344

During 2007 the University invested its surplus working capital into bank bills (\$60.2 million). These bank bills have been reported as Financial Assets held-to-maturity in Note 9. During 2006 the University held its surplus working capital in high interest deposits and were reported within Cash and Cash Equivalents.

		Consolidated		University	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
8. Receivables	3(h)				
Current:					
Student tuition fees		2 006	2 668	2 006	2 668
Less: Provision for impaired receivables		499	704	499	704
		1 507	1 964	1 507	1 964
Trade debtors		16 699	16 805	12 931	13 585
Less: Provision for impaired receivables		759	911	655	882
		15 940	15 894	12 276	12 703
Sundry debtors and accrued income		8 166	2 585	8 166	2 585
Less: Provision for impaired receivables		-	-	-	-
		8 166	2 585	8 166	2 585
Student loans		203	239	203	239
Less: Provision for impaired receivables		153	203	153	203
		50	36	50	36
Other		-	30	-	-
		25 663	20 509	21 999	17 288

(a) Impaired Receivables

As at 31 December 2007 current receivables of the group with a nominal value of \$2.476 million (\$2.490 million) were impaired. The amount of the provision was \$1.411 million (\$1.818 million). The individually impaired receivables mainly relate to outstanding trade and student debtors. It was assessed that a portion of these receivables is expected to be recovered.

(a) Impaired Receivables (continued)

The ageing of impaired receivables is as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Zero to three months	324	64	324	64
Three to six months	127	255	127	255
Over six months	2 025	2 171	1 921	2 142
	2 476	2 490	2 372	2 461

As at 31 December 2007 current receivables of the group of \$24.598 million (\$19.837 million) were not impaired. The majority of these receivables are current and mainly relate to a number of Government agencies and independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Zero to three months	22 787	18 693	19 472	15 472
Three to six months	894	982	679	982
Over six months	917	162	783	162
	24 598	19 837	20 934	16 616

The movement in the provision for impaired receivables is as follows:

	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At 1 January	1 818	2 179	1 789	2 150
Net provision for impairment recognised (reversed) during the year	174	(238)	109	(238)
Receivables written off during the year as uncollectible	(581)	(123)	(591)	(123)
	1 411	1 818	1 307	1 789

The creation and release of the provision for impaired receivables has been included in 'Finance and fund administration' in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

Bad and Doubtful Debts

The University has recognised a loss of \$334 000 (\$652 000) in respect of bad and doubtful receivables during the year ended 31 December 2007. The loss has been included in 'Finance and fund administration' expenses in the Income Statement.

9. Other Financial Assets

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Current:	Note				
Loans to controlled entities		-	-	-	2 400
Term deposits		-	2 400	-	-
Other loans		141	25	141	25
Held-to-maturity - bank bills		60 173	-	60 173	-
		60 314	2 425	60 314	2 425
Non-Current:					
Held-for-trading					
Composite fund at fair value	3(j)	16 115	14 368	16 115	14 368
Australian fixed interest securities		8 056	7 143	8 056	7 143
Overseas fixed interest securities		35 174	30 110	35 174	30 110
Australian equities		31 803	27 237	31 803	27 237
Overseas equities		6 982	6 117	6 982	6 117
Property trusts		3 808	3 667	3 808	3 667
Cash and liquid assets		1 318	197	1 318	197
Alternative strategies		2 759	-	2 759	-
Global Listed Infrastructure		1 602	-	1 602	-
Commodities		107 617	88 839	107 617	88 839
Managed investment held by Unisure Pty Ltd		7 048	7 847	7 048	7 847
Other shares		5 121	2 749	5 121	2 749
Total Non-current Other Financial Assets Held-for-Trading		119 786	99 435	119 786	99 435
Other loans		964	1 182	1 513	1 482
Total Non-current Other Financial Assets		120 750	100 617	121 299	100 917

Held-to-Maturity - Bank Bills

During 2007 the University invested its surplus working capital into bank bills. These bank bills have been reported as Financial Assets held-to-maturity. During 2006 the University held its surplus working capital in high interest deposits and were reported within Cash and Cash Equivalents in Note 7.

10. Derivative Financial Instruments

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Interest rate swap contracts - Cash flow hedges	1 637	-	1 637	-
	1 637	-	1 637	-

During 2007 the University entered into interest rate swaps totalling \$90 million, to manage its interest rate exposure on its planned borrowings for its North Terrace Development Strategy. These interest rate swaps are effective hedges and the fair value of these hedges have been recorded as a non-current asset.

11. Inventories

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Note 3(m)				
Consumable materials and trading stock		6 012	1 766	1 345	1 533
Livestock		2 144	2 069	-	-
Provisions for obsolescence		(100)	(150)	(100)	(150)
		8 056	3 685	1 245	1 383

The University has written down inventories of \$94 000 (\$127 000) during the year ended 31 December 2007. The loss has been included in 'Teaching and research' expenses in the Income Statement.

As noted in the 'Statement of Significant Accounting Policies - Principles of Consolidation' Note 3(b), Martindale Holdings Pty Ltd has changed its' reporting period from 31 March to 31 December during 2007. As a consequence, inventory in the nature of crops has been recognised for the first time on consolidation.

12. Other Non-Financial Assets

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Current:	Note				
Prepayments		3 491	3 778	3 476	3 778
Accrued income		1 113	636	1 078	522
		4 604	4 414	4 554	4 300
Non-Current:					
Prepayments		1 172	1 206	1 172	1 206

13. Investments Accounted for using the Equity Method

Investments in Associates:	33				
At cost		-	-	298	298
Equity accounted		564	506	-	-
Interests in Joint Ventures:	34				
At cost		-	-	275	135
Equity accounted		2 108	2 823	-	-
		2 672	3 329	573	433

14. Available-for-Sale Financial Assets

Current:					
Listed shares		-	1 585	-	-
		-	1 585	-	-
Non-Current:					
Investments in controlled entities	32	-	-	46 710	48 086

15. Property, Plant and Equipment Consolidated

	Trust Land	Other Land	Trust Buildings	Other Buildings	WIP Buildings
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2006:					
Cost	-	-	784	664	16 195
Valuation	112 135	72 830	286 649	27 194	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
Net Book Amount	112 135	72 830	287 429	27 816	16 195

15. Property, Plant and Equipment Consolidated (continued)

	Trust Land \$'000	Other Land \$'000	Trust Buildings \$'000	Other Buildings \$'000	WIP Buildings \$'000
Year Ended 31 December 2006:					
Opening net book amount	112 135	72 830	287 429	27 816	16 195
Revaluation increments (decrements)	-	-	-	(90)	-
Additions	-	-	361	444	24 916
Disposals	-	(157)	(32)	-	(352)
Transfers	-	-	28 423	2 955	(31 913)
Depreciation/amortisation	-	-	(7 866)	(920)	-
Closing Net Book Amount	112 135	72 673	308 315	30 205	8 846
As at 31 December 2006:					
Cost	-	-	29 684	3 861	8 846
Valuation	112 135	72 673	286 501	27 306	-
Accumulated depreciation/amortisation	-	-	(7 870)	(962)	-
Net Book Amount	112 135	72 673	308 315	30 205	8 846
	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equipment \$'000	Total \$'000
As at 1 January 2006:					
Cost	7 495	2 987	-	103 301	131 426
Valuation	-	39 457	4 996	-	543 261
Accumulated depreciation/amortisation	(1 354)	(3 946)	-	(67 663)	(73 009)
Net Book Amount	6 141	38 498	4 996	35 638	601 678
Year Ended 31 December 2006:					
Opening net book amount	6 141	38 498	4 996	35 638	601 678
Revaluation increments (decrements)	-	-	-	-	(90)
Additions	38	3 721	-	8 153	37 633
Disposals	(1 199)	(1 231)	-	(2 847)	(5 818)
Transfers	535	-	-	-	-
Depreciation/amortisation	(873)	(4 244)	-	(6 819)	(20 722)
Closing Net Book Amount	4 642	36 744	4 996	34 125	612 681
As at 31 December 2006:					
Cost	6 227	5 476	-	101 787	155 881
Valuation	-	39 458	4 996	-	543 069
Accumulated depreciation/amortisation	(1 585)	(8 190)	-	(67 662)	(86 269)
Net Book Amount	4 642	36 744	4 996	34 125	612 681
	Trust Land \$'000	Other Land \$'000	Trust Buildings \$'000	Other Buildings \$'000	WIP Buildings \$'000
Year Ended 31 December 2007:					
Opening net book amount	112 135	72 673	308 315	30 205	8 846
Revaluation increments (decrements)	23 459	12 010	12 780	(4 232)	-
Additions	-	2 107	-	4 824	61 610
Disposals	-	-	(191)	-	-
Transfers	-	313	22 240	6 138	(36 803)
Depreciation/amortisation	-	-	(8 391)	(985)	-
Closing Net Book Amount	135 594	87 103	334 753	35 950	33 653
As at 31 December 2007:					
Cost	4	2 562	864	6 634	33 653
Valuation	135 590	84 541	333 921	29 383	-
Accumulated depreciation/amortisation	-	-	(32)	(67)	-
Net Book Amount	135 594	87 103	334 753	35 950	33 653
	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equipment \$'000	Total \$'000
Year Ended 31 December 2007:					
Opening net book amount	4 642	36 744	4 996	34 125	612 681
Revaluation increments (decrements)	-	(298)	-	-	43 719
Additions	80	3 019	104	10 383	82 127
Disposals	-	(228)	-	(794)	(1 213)
Transfers	8 112	-	-	-	-
Depreciation/amortisation	(909)	(4 493)	-	(6 668)	(21 446)
Closing Net Book Amount	11 925	34 744	5 100	37 046	715 868

15. Property, Plant and Equipment**Consolidated (continued)**

As at 31 December 2007:

	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equipment \$'000	Total \$'000
Cost	14 419	-	104	110 215	168 455
Valuation	-	34 744	4 996	-	623 175
Accumulated depreciation/amortisation	(2 494)	-	-	(73 169)	(75 762)
Net Book Amount	11 925	34 744	5 100	37 046	715 868

University

As at 31 January 2006:

	Trust Land \$'000	Other Land \$'000	Trust Buildings \$'000	Other Buildings \$'000	WIP Buildings \$'000
Cost	-	-	784	664	16 195
Valuation	112 135	40 309	286 649	24 852	-
Accumulated depreciation/amortisation	-	-	(4)	(42)	-
Net Book Amount	112 135	40 309	287 429	25 474	16 195

Year Ended 31 December 2006:

Opening net book amount	112 135	40 309	287 429	25 474	16 195
Revaluation increments (decrements)	-	-	-	-	-
Additions	-	-	361	116	24 916
Disposals	-	(157)	(32)	-	(352)
Transfers	-	-	28 423	2 955	(31 913)
Depreciation/amortisation	-	-	(7 866)	(833)	-
Closing Net Book Amount	112 135	40 152	308 315	27 712	8 846

As at 31 December 2006:

Cost	-	-	29 684	3 623	8 846
Valuation	112 135	40 152	286 501	24 964	-
Accumulated depreciation/amortisation	-	-	(7 870)	(875)	-
Net Book Amount	112 135	40 152	308 315	27 712	8 846

	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equipment \$'000	Total \$'000
As at 31 January 2006:					
Cost	5 659	2 987	-	92 881	119 170
Valuation	-	39 457	4 996	-	508 398
Accumulated depreciation/amortisation	(780)	(3 946)	-	(61 260)	(66 032)
Net Book Amount	4 879	38 498	4 996	31 621	561 536

Year Ended 31 December 2006:

Opening net book amount	4 879	38 498	4 996	31 621	561 536
Revaluation increments (decrements)	-	-	-	-	-
Additions	38	3 721	-	7 401	36 553
Disposals	(5)	(1 231)	-	(1 225)	(3 002)
Transfers	535	-	-	-	-
Depreciation/amortisation	(805)	(4 244)	-	(5 921)	(19 669)
Closing Net Book Amount	4 642	36 744	4 996	31 876	575 418

As at 31 December 2006:

Cost	6 227	5 476	-	94 676	148 532
Valuation	-	39 458	4 996	-	508 206
Accumulated depreciation/amortisation	(1 585)	(8 190)	-	(62 800)	(81 320)
Net Book Amount	4 642	36 744	4 996	31 876	575 418

	Trust Land \$'000	Other Land \$'000	Trust Buildings \$'000	Other Buildings \$'000	WIP Buildings \$'000
Year Ended 31 December 2007:					
Opening net book amount	112 135	40 152	308 315	27 712	8 846
Revaluation increments (decrements)	23 459	8 910	12 780	(4 451)	-
Additions	-	2 000	-	4 462	61 610
Disposals	-	-	(191)	-	-
Transfers	-	-	22 240	6 451	(36 803)
Depreciation/amortisation	-	-	(8 391)	(877)	-
Closing Net Book Amount	135 594	51 062	334 753	33 297	33 653

University (continued)	Trust Land \$'000	Other Land \$'000	Trust Buildings \$'000	Other Buildings \$'000	WIP Buildings \$'000
As at 31 December 2007:					
Cost	4	2 562	864	6 634	33 653
Valuation	135 590	48 500	333 921	26 730	-
Accumulated depreciation/amortisation	-	-	(32)	(67)	-
Net Book Amount	135 594	51 062	334 753	33 297	33 653
	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equipment \$'000	Total \$'000
Year Ended 31 December 2007:					
Opening net book amount	4 642	36 744	4 996	31 876	575 418
Revaluation increments (decrements)	-	(298)	-	-	40 400
Additions	-	3 019	104	9 305	80 500
Disposals	-	(228)	-	(636)	(1 055)
Transfers	8 112	-	-	-	-
Depreciation/amortisation	(909)	(4 493)	-	(5 992)	(20 662)
Closing Net Book Amount	11 845	34 744	5 100	34 553	674 601
As at 31 December 2007:					
Cost	14 339	-	104	102 591	160 751
Valuation	-	34 744	4 996	-	584 481
Accumulated depreciation/amortisation	(2 494)	-	-	(68 038)	(70 631)
Net Book Amount	11 845	34 744	5 100	34 553	674 601

16. Investment Property

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	18 890	17 717	18 890	17 717
Additions from subsequent expenditure	93	54	93	54
Net gain from fair value adjustments	2 324	1 119	2 324	1 119
Balance at 31 December	21 307	18 890	21 307	18 890

(a) Amount Recognised in Income Statement for Investment Property

The University has recognised \$1.4 million (\$1.4 million) of rental income from investment properties within the Income Statement. Any direct operating expenses from generating rental income are included within the Income Statement and are immaterial.

(b) Valuation Basis

The basis of valuation of investment properties is fair value being the amounts for which the properties 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, condition and subject to similar leases.

An independent valuation of investment properties has been carried out by Mr N Satchell, AAPI, BAppSc (Val) of Rushton Valuers Pty Ltd on 31 December 2007.

(c) Non-Current Assets Pledged as Security

No non-current assets have been pledged.

(d) Contractual Obligations

There are no capital commitments for investment properties.

(e) Leasing Arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on investment properties are as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Within one year	697	807	697	807
Later than one year but not later than five years	557	1 010	557	1 010
Later than five years	78	258	78	258
	1 332	2 075	1 332	2 075

17.	Intangible Assets	Note 3(f)	Consolidated		University	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-Current:						
As at 1 January 2006:						
	Cost		-	11 217	-	11 217
	Accumulated depreciation and impairment		-	(10 278)	-	(10 278)
	Net Book Amount		-	939	-	939
Year ended 31 December 2006:						
	Opening net book amount		-	939	-	939
	Additions		-	(37)	-	(37)
	Amortisation charge		-	(267)	-	(267)
	Closing Net Book Amount		-	635	-	635
As at 1 January 2007:						
	Cost		11 180	-	1180	-
	Accumulated depreciation and impairment		(10 545)	-	(10 545)	-
	Net Book Amount		635	-	635	-
Year ended 31 December 2007:						
	Opening net book amount		635	-	635	-
	Disposals		(62)	-	(62)	-
	Amortisation charge		(194)	-	(194)	-
	Closing Net Book Amount		379	-	379	-
As at 31 December 2007:						
	Cost		11 118	-	11 050	-
	Accumulated depreciation and impairment		(10 739)	-	(10 671)	-
	Net Book Amount		379	-	379	-
18. Payables						
Current:						
	Accounts payable		41 861	29 586	31 158	22 325
	Accruals		5 553	7 144	501	504
	Salary and wage deductions		4 673	3 855	4 670	3 848
	Unspent Commonwealth financial assistance		29	1 717	29	1 717
	Deferred liability		2 000	-	2 000	-
			54 116	42 302	38 358	28 394
Non-Current:						
	Accounts payable		6 532	3 672	6 516	3 618
	Deferred liability		-	1 822	-	1 822
			6 532	5 494	6 516	5 440
19. Borrowings						
Current:						
	Other - Unsecured		59	1 217	6	1 217
Non-Current:						
	Other - Unsecured		7	68	62	68
The University maintains an unsecured \$20 million Bill Acceptance and Discount Facility as a standby working capital facility. As at 31 December 2007, this facility has not been drawn down.						
20. Provisions						
			Consolidated		University	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current:						
	Workers compensation provision		739	736	739	736
	Annual and long service leave		15 892	14 525	15 342	14 007
	Insurance provision		1 425	1 944	1 425	1 944
			18 056	17 205	17 506	16 687
Non-Current:						
	Workers compensation provision		1 903	1 910	1 903	1 910
	Annual and long service leave		27 140	24 209	26 951	23 992
	Defined benefit fund net liability		3 287	4 786	3 287	4 786
			32 330	30 905	32 141	30 688

Movements in Provisions

	Workers Compensation Provision \$'000	Annual and Long Service Leave \$'000	Insurance Provision \$'000	Defined Benefit Fund Net Liability \$'000
Consolidated - Current:				
Carrying amount at 1 January	736	14 525	1 944	-
Additional (reductions in) provisions recognised	3	1 367	(519)	-
Carrying Amount at 31 December	739	15 892	1 425	-
Consolidated - Non-Current:				
Carrying amount at 1 January	1 910	24 209	-	4 786
Additional (reductions in) provisions recognised	(7)	2 931	-	(1 499)
Carrying Amount at 31 December	1 903	27 140	-	3 287

Workers Compensation Provision

Provision is made based on an actuarial assessment of workers compensation estimated claims liability for future years. Refer to policy Note 3(r) 'Workers Compensation'.

Annual and Long Service Leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy Note 3(g) 'Employee Benefits'.

Insurance Provision

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2007 that were expected to be paid subsequent to 1 January 2008 and are below the University deductible in the University insurance policies.

Defined Benefit Fund Net Liability

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119. Refer to Note 3(g) 'Employee Benefits' and Note 27(c) 'The University of Adelaide Super Scheme A 1985'.

21. Other Liabilities

	Consolidated		University	
	2007	2006	2007	2006
Current:	\$'000	\$'000	\$'000	\$'000
Outside funded positions	2 074	1 510	2 074	1 510
Income in advance	258	161	25	-
Student tuition fees received in advance	3 411	3 591	3 411	3 591
Residential bonds	326	262	326	262
Employee benefits - Redundancy	300	383	300	383
Funds held on deposit for controlled entities	-	-	14 233	-
Other	627	640	578	640
	6 996	6 547	20 947	6 386

22. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as 'Employee Benefits'. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2007 relating to employee benefits:

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Annual Leave:					
On-costs included in payables - Current	18	3 326	2 753	3 306	2 733
Employee benefits - Current	20	9 454	7 805	9 184	7 593
		12 780	10 558	12 490	10 326
On-costs included in payables - Non-current	18	960	832	958	824
Employee benefits - Non-current	20	2 690	2 313	2 662	2 290
		3 650	3 145	3 620	3 114
Long Service Leave:					
On-costs included in payables - Current	18	1 147	851	1 126	827
Employee benefits - Current	20	6 438	6 720	6 158	6 414
		7 585	7 571	7 284	7 241
On-costs included in payables - Non-current	18	5 567	2 840	5 557	2 793
Employee benefits - Non-current	20	24 450	21 896	24 289	21 702
		30 017	24 736	29 846	24 495
		54 032	46 010	53 240	45 176

23. Retained Surplus and Reserves**(a) Summary**

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Capital Reserves:				
Capital reserve	2 971	3 020	-	-
Capital profits reserve	1 481	1 249	-	-
Asset revaluation reserve	226 478	182 759	199 486	159 086
Initial asset recognition reserve	279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve	1 453	1 665	46 710	45 188
	511 507	467 817	525 320	483 398
Specific Purpose Reserves:				
Special reserve	80 102	73 716	80 102	73 716
Bequests/donations unspent income reserve	17 199	16 367	17 199	16 367
Restricted purpose bequest capital reserve	71 832	61 246	71 832	61 246
Composite fund revaluation reserve	36 022	35 612	36 022	35 612
	205 155	186 941	205 155	186 941
Retained Surplus	147 103	130 609	124 604	107 106

(b) Movements in Reserves

Capital Reserve:				
Opening balance	3 020	3 020	-	-
Current year movement	(49)	-	-	-
Closing Balance	2 971	3 020	-	-
Capital Profits Reserve:				
Opening balance	1 249	687	-	-
Current year movement	232	562	-	-
Closing Balance	1 481	1 249	-	-
Asset Revaluation Reserve:				
Opening balance	182 759	182 850	159 086	159 087
Add revaluation increment on property, plant and equipment	43 719	(91)	40 400	(1)
Closing Balance	226 478	182 759	199 486	159 086
Initial Asset Recognition Reserve:				
Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing Balance	279 124	279 124	279 124	279 124
Available-for-Sale Financial Assets Revaluation Reserve:				
Opening balance	1 665	6 166	45 188	48 326
Current year movement	(212)	(4 501)	1 522	(3 138)
Closing Balance	1 453	1 665	46 710	45 188
Special Reserve:				
Opening balance	73 716	55 434	73 716	55 434
Transfer (to) from retained surplus	6 386	18 282	6 386	18 282
Closing Balance	80 102	73 716	80 102	73 716
Bequests/Donations Unspent Income Reserve:				
Opening balance	16 367	13 567	16 367	13 567
Transfer from retained surplus	832	2 800	832	2 800
Closing Balance	17 199	16 367	17 199	16 367
Restricted Purpose Bequest Capital Reserve:				
Opening balance	61 246	56 613	61 246	56 613
Transfer from retained surplus	10 586	4 633	10 586	4 633
Closing Balance	71 832	61 246	71 832	61 246
Composite Fund Revaluation Reserve:				
Opening balance	35 612	27 261	35 612	27 261
Transfer from retained surplus	410	8 351	410	8 351
Closing Balance	36 022	35 612	36 022	35 612

(c) Nature and Purpose of Reserves*Capital Reserve*

Represents capital accounts held within controlled entities of the University.

Capital Profits Reserve

Represents the accumulation of realised revalued increments of assets sold.

Asset Revaluation Reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3(n).

Initial Asset Recognition Reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Available-for-Sale Financial Assets Revaluation Reserve

Is used to record increments and decrements on the revaluation of available-for-sale financial assets. Refer accounting policy Note 3(j).

Specific Purpose Reserves

Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

24. Reconciliation of Net Cash provided by Operating Activities to Operating Result	Note	Consolidated		University	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating Result		33 068	38 899	33 873	35 378
Add (Less): Non-cash items:					
Amortisation	5	1 103	1 149	1 103	1 072
Depreciation	5	20 529	19 848	19 753	18 864
Write (up) of investments		(8 641)	(13 359)	(8 641)	(13 359)
Superannuation expense		(1 200)	600	(1 200)	600
Superannuation revenue		1 200	(600)	1 200	(600)
Other revenue/expenses		(15 554)	(10 318)	(17 428)	816
Funds held on deposit		-	-	(14 233)	-
(Profit) Loss on sale of property, plant and equipment		267	183	445	337
Changes in Assets/Liabilities:					
(Increase) Decrease in inventories		(4 371)	583	138	278
(Increase) Decrease in receivables		(5 154)	6 862	(4 711)	6 970
(Increase) Decrease in other assets		(156)	(1 528)	(220)	(1 607)
Increase (Decrease) in payables		12 852	5 939	11 040	2 778
Increase (Decrease) in other current liabilities		449	849	14 561	83
Increase (Decrease) in provisions		2 276	2 678	2 272	3 229
Net Cash provided by Operating Activities		36 668	51 785	37 952	54 839
25. Commitments					
Operating Expenditure					
Contracted but not provided for and payable:					
Not later than one year		13 147	14 574	13 147	14 574
Later than one year, but not later than five years		30 213	17 532	30 213	17 532
Later than five years		1 238	185	1 238	185
		44 598	32 291	44 598	32 291
Capital Expenditure					
<i>Property, Plant and Equipment</i>					
Contracted but not provided for and payable:					
Not later than one year		93 025	16 248	81 876	16 248
Later than one year, but not later than five years		1 734	-	1 734	-
Later than five years		-	-	-	-
		94 759	16 248	83 610	16 248
Operating Lease Commitments					
Future operating base rental not provided for and payable:					
Not later than one year		5 546	5 343	5 546	5 343
Later than one year, but not later than five years		10 912	10 307	10 912	10 307
Later than five years		641	670	641	670
		17 099	16 320	17 099	16 320
Representing:					
Cancellable operating leases		17 099	16 320	17 099	16 320
Non-cancellable operating leases		-	-	-	-
		17 099	16 320	17 099	16 320

Operating Lease Commitments (continued)

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

The increase in capital expenditure commitments in 2007 primarily relate to the major building works program including the wine innovation cluster building, the refurbishment of 10 Pulteney Street and the new engineering precinct building.

26. Contingencies

(a) Guarantees

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

On July 1 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with WorkCover and provide a bank guarantee to cover projected workers compensation outstanding claims liabilities. The University provided a \$4.3 million bank guarantee to WorkCover which matures on 30 April 2008. The amount of the guarantee was based on an actuarial assessment of the projected workers compensation claims liabilities. In June 2007 the University was advised by WorkCover Corporation that its Self-Insurer Licence will be renewed for a period of three years from 1 July 2007.

(b) Superannuation

(i) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. In addition the University has agreed to a contribution program to finance the current deficit where by the University contributes \$0.6 million annually over the next three years. Refer to Note 27(c).

(ii) UniSuper Limited Superannuation Schemes

Refer to Note 27(b).

(c) Litigation

In the ordinary course of its operations, the University and its controlled entities became involved in legal disputes. At the date of adoption of these financial statements, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$1.4 million under the self insurance component of the University programme. Refer Note 20.

27. Superannuation Schemes

(a) Categories

The University contributes to a range of superannuation schemes, which are divided into the following categories:

(i) Those Operative and Open to Membership

- UniSuper Defined Contribution Plan or Investment Choice Plan
- UniSuper Award Plus Plan

(ii) Those Operative but Closed to Future Membership

- The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)

(iii) State Government Schemes Closed to Future Membership by University Employees

- State Pension Scheme
- State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2007 for employees in either the Defined Benefit Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 9 percent of salaries. The employee contribution rate throughout 2007 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made four years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

(b) UniSuper Limited Superannuation Schemes (continued)

Clause 34 now states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits of its members on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2007 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 Contribution Plan.

As at 30 June 2007 the assets of the Defined Benefit Division in aggregate were estimated to be \$1.683 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving service of the participating institution) and include the value of CPI indexed pensions being provided by the Defined Benefit Division.

As at 30 June 2007 the assets of the Defined Contribution Plan in aggregate were estimated to be \$2.587 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the Defined Benefit Division as at 31 December 2005. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% p.a.	8.3% p.a.
Net of tax investment return	6.5% p.a.	7.8% p.a.
Consumer Price Index	2.5% p.a.	2.5% p.a.
Inflationary salary increases long-term	3.5% p.a.	3.5% p.a.
Inflationary salary increases next three years	5.0% p.a.	5.0% p.a.

(Additional promotional salary increases are assumed to apply based on past experience).

Assets have been included at their net market value, ie allowing for realisation costs.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) is a defined benefit plan in accordance with AASB 119 that provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by Tidswell Financial Services Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). The Scheme is closed to new members.

<i>Reconciliation of the Present Value of the Defined Benefit Obligation</i>		2007	2006
	Note	\$'000	\$'000
Present Value of Defined Benefit Obligations at 1 January		15 366	17 780
Add: Current service costs		364	526
Interest cost		736	715
Contributions by scheme participants		53	57
Actuarial (gains) losses		(2)	(2 396)
Less: Benefits paid		(701)	(873)
Taxes, premiums and expenses paid		(454)	(443)
Present Value of Defined Benefit Obligations at 31 December		15 362	15 366

<i>Reconciliation of the Fair Value of Scheme Assets</i>		2007	2006
Fair Value of Scheme Assets at 1 January		10 580	9 507
Add: Expected return on scheme assets		716	460
Actuarial gains (losses)		210	792
Employer contributions		1 671	1 080
Contributions by scheme participants		53	57
Less: Benefits paid		(701)	(873)
Taxes, premiums and expenses paid		(454)	(443)
Fair Value of Scheme Assets at 31 December		12 075	10 580

<i>Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet</i>		2007	2006
Defined Benefit Obligation including Contributions Tax Provisions		15 362	15 366
Less: Fair value of scheme assets		(12 075)	(10 580)
Defined Benefit Fund Net Liability	20	3 287	4 786

**(c) The University of Adelaide Superannuation Scheme A 1985
(continued)**

	2007	2006
	\$'000	\$'000
<i>Expense Recognised in the Income Statement</i>		
Service cost	364	526
Interest cost	736	715
Expected return on assets	(716)	(460)
Superannuation Expense	384	781

Amounts Recognised in the Statement of Recognised Income and Expense

Actuarial (Gains)	(212)	(3 188)
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Cumulative Amount Recognised in the Statement of Recognised Income and Expense

Cumulative Amount of Actuarial (Gains)	(4 618)	(4 406)
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Scheme Assets

	2007	2006
	Percent	Percent
The percentage invested in each asset class at the Balance Sheet date:		
Australian equity	17	18
International equity	27	12
Fixed income	25	37
Property	10	5
Cash	21	28

Fair Value of Scheme Assets

The fair value of scheme assets does not include amounts relating to any of the University's own financial instruments or any property, occupied by, or other assets used by the University.

Expected Rate of Return on Scheme Assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

	2007	2006
	\$'000	\$'000
Actual Return on Scheme Assets	926	1 252

Principal Actuarial Assumptions at the Balance Sheet Date

	2007	2006
	Percent	Percent
Discount rate (active members)	5.4	5.0
Discount rate (pensioners)	6.3	5.9
Expected rate of return on plan assets (active members)	6.8	6.8
Expected rate of return on plan assets (pensioners)	7.5	7.5
Expected salary increase rate	5.0	5.0
Expected pension increase rate	2.5	2.5

Historical Information

	2007	2006
	\$'000	\$'000
Present value of defined benefit obligation	15 362	15 366
Fair value of scheme assets at 1 January	12 075	10 580
Deficit in scheme	3 287	4 786
Experience adjustments (gain) - Scheme assets	(210)	(792)
Experience adjustments (gain) - Scheme liabilities	(798)	(872)

Expected Contributions

The expected employer contributions for the year ended 31 December 2008 are \$1 million, which includes the \$600 000 annual payment detailed below (refer to contribution recommendations).

Funding Arrangements for Employer Contributions

The following is a summary of the most recent financial position of the University of Adelaide Superannuation Scheme A 1985 calculated in accordance with AAS 25.

	01.07.06
	\$'000
Accrued benefits	12 335
Net market value of scheme assets	10 044
Net Deficit	2 291

Contribution Recommendations

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of Scheme A 1985 as at 1 July 2006, are 14 percent of salaries of defined benefit members, plus \$25 000 per month, plus additional contributions in a number of situations. The University, the Trustee and the actuary have also agreed to a contribution programme to finance the current deficit whereby the University contributes \$600 000 annually over the next three years.

Funding Method

The method used to determine the employer contribution recommendations at the last actuarial review was the accrued benefit method. The method adopted affects the timing of the cost to the employer.

Under the accrued benefit method, a 'normal cost' is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The 'normal cost' is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the 'normal' employer contribution rate over a suitable period of time.

Economic Assumptions

The long-term economic assumptions adopted for the last actuarial review of the scheme as at 1 July 2006 were:

	Percent per annum
Expected rate of return on assets (discount rate):	
Active members	6.75
Pensioners	5.0
Expected salary increase rate	7.5
Expected pension increase rate	2.5

Nature of Asset/Liability

The University has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The University has covenanted to ensure that the benefits as set down in the Trust Deed will be paid irrespective of the performance of Scheme A 1985.

(d) State Government Superannuation Schemes

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the South Australia Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2007 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2007, there is an unfunded liability of \$42.3 million (\$43.5 million). This represents a decrease in liability of \$1.2 million since 31 December 2006. This is recognised as a reduction in revenue in the 2007 Income Statement, with a corresponding adjustment to expenditure.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant. Under the Commonwealth legislation titled 'State Grants (General Purposes) Amendment Act 1982', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Financial Statement Guidelines for Australian Higher Education Providers for 2007 Reporting Period' provided by DEEWR. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$42.3 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Benefits for Superannuation'.

Summary	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred Government Superannuation Contribution:				
Non-Current Asset	42 300	43 500	42 300	43 500
Deferred Employee Benefits for Superannuation:				
Current liability	3 200	3 300	3 200	3 300
Non-current liability	39 100	40 200	39 100	40 200
	42 300	43 500	42 300	43 500

The total employer contributions were:

UniSuper Defined Contribution Plan or Investment Choice Plan	20 538	19 013
UniSuper Award Plus Plan	8 913	8 014
State Government Superannuation Schemes (3 percent)	20	25
The University of Adelaide Superannuation Scheme A 1985	112	112
	29 583	27 164

28. Disaggregation Information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not significant enough so as to warrant disaggregation information disclosure.

29. Auditors' Remuneration

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Amounts paid or payable for assurance services were:				
South Australian Auditor-General	207	207	207	207
Other auditors of controlled entities	115	85	-	-
	322	292	207	207
Amounts paid or payable for other services were:				
Other auditors of controlled entities	24	29	-	-
	346	321	207	207

Amounts paid or payable for advisory services relate to the provision of accounting services.

30. The University Council Members and Senior Management**(a) Names of the University Council Members and Senior Management***University Council Members*

Ex Officio	von Doussa QC, the Hon John William McWha, Professor James Alexander Hill, Professor Robert	commenced 01.01.2007
Co-opted	Crafter, The Hon Gregory John	ceased 21.03.2007
Appointed	Adler AO, Mr Norman Ross Bagot, Mr Charles Castine, Ms Kathryn Croser AO, Mr Brian Davidson, Ms Dianne Kowalick, Mr Ian John Martin, Ms Pamela Young, Mr Stephen Elliot	ceased 05.03.2007 commenced 06.03.2007
Elected Staff	Cecchin, Mr John Cox, Ms Rosslyn Crewther, Dr Rodney James Gill, Dr Peter Maxwell Linton, Professor Valerie Margaret Percival, Ms Kylie Joy	resigned 26.06.2007 ceased 05.03.2007 commenced 06.03.2007 commenced 24.10.2007
Elected Graduates	Maddocks, Professor Simon Penniment, Dr Michael Radcliffe AM, Dr John	commenced 06.07.2007
Student	Athanassiadis, Mr Matthew Cronin, Ms Jessica Russell, Mr Aaron Swaine, Mr Philip Dalway	ceased 05.03.2007 commenced 06.03.2007

University Senior Management

McWha, Professor James McDougall, Professor Fred Johnson, Professor Alan Taplin, Professor John Duldig, Mr Paul MacIntosh, Ms Susan Beilby, Professor Justin Dowd, Professor Peter Findlay, Professor Christopher Harvey, Professor Nicholas Hill, Professor Robert Innes, Professor Michael Quester, Professor Pascale Stoler, Mr Andrew	ceased 17.08.2007 retired 08.06.2007 ceased 13.07.2007 commenced 30.07.2007 ceased 27.07.2007 commenced 16.07.2007
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(b) Remuneration of the University Council Members and Senior Management**University Council Members**

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

University Senior Management

	2007	2006
	\$'000	\$'000
Amounts paid or payable to University Senior Management	3 558	3 460

	2007	2006
	Number	Number
\$100 000 - \$114 999	2	-
\$115 000 - \$129 999	1	1
\$130 000 - \$144 999	-	1
\$160 000 - \$174 999	-	1
\$175 000 - \$189 999	1	1
\$205 000 - \$219 999	-	1
\$220 000 - \$234 999	1	1
\$235 000 - \$249 999	1	1
\$250 000 - \$264 999	1	1
\$265 000 - \$279 999	-	1
\$280 000 - \$294 999	-	1
\$295 000 - \$309 999	1	-
\$310 000 - \$324 999	1	-
\$340 000 - \$354 999	1	-
\$415 000 - \$429 999	-	1
\$430 000 - \$444 999	1	-
\$640 000 - \$654 999	-	1
\$715 000 - \$729 999	1	-
	12	12

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.

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

31. Financial Instruments**(a) Interest Rate Risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

		Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	2007 Fixed Maturity Date			
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000
Financial Assets:	Note						
Cash and cash equivalents	7	6.22	13 379	7 862	-	-	-
Receivables	8	-	-	-	-	-	-
Financial assets held-for-trading	9	-	-	-	-	-	-
Financial assets held-to-maturity	9	7.08	-	60 173	-	-	-
Other financial assets	9,13	1.66	-	86	117	117	117
Available-for-sale	14	-	-	-	-	-	-
			13 379	68 121	117	117	117
Weighted average interest rate			5.94%	7.03%	6.36%	6.36%	6.36%
Financial Liabilities:							
Payables	18	-	-	-	-	-	-
Borrowings	19	-	-	-	-	-	-
			-	-	-	-	-
Weighted average interest rate			-	-	-	-	-

(a) Interest Rate Risk (continued)

	<u>Fixed Maturity Date</u>		Non-Interest Bearing	2007 Total
	4 to 5 years	More than 5 years		
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash and cash equivalents	-	-	-	21 241
Receivables	-	-	25 663	25 663
Financial assets held-for-trading	-	-	119 786	119 786
Financial assets held-to-maturity	-	-	-	60 173
Other financial assets	117	551	2 672	3 777
Available-for-sale	-	-	-	-
	117	551	148 121	230 640
Weighted average interest rate	6.36%	6.66%		
Financial Liabilities:				
Payables	-	-	60 648	60 648
Borrowings	-	-	66	66
	-	-	60 714	60 714
Weighted average interest rate	-	-		

		2006					
		Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	Fixed Maturity Date			
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000
Financial Assets:	Note						
Cash and cash equivalents	7	5.60	93 050	27 433	-	-	-
Receivables	8	-	-	-	-	-	-
Financial assets held-for-trading	9	-	-	-	-	-	-
Financial assets held-to-maturity	9	-	-	-	-	-	-
Other financial assets	9,13	2.59	-	2 425	94	117	117
Available-for-sale	14	-	-	-	-	-	-
			93 050	29 858	94	117	117
Weighted average interest rate			5.60%	5.54%	6.28%	6.42%	6.42%
Financial Liabilities:							
Payables	18	-	-	-	-	-	-
Borrowings	19	5.83	-	-	1 210	-	-
			-	-	1 210	-	-
Weighted average interest rate			-	-	5.83%	-	-

		<u>Fixed Maturity Date</u>		Non-Interest Bearing	2006 Total
		4 to 5 years	More than 5 years		
		\$'000	\$'000	\$'000	\$'000
Financial Assets:					
Cash and cash equivalents		-	-	322	120 805
Receivables		-	-	20 509	20 509
Financial assets held-for-trading		-	-	99 435	99 435
Financial assets held-to-maturity		-	-	-	-
Other financial assets		117	660	3 406	6 936
Available-for-sale		-	-	1 585	1 585
		117	660	125 257	249 270
Weighted average interest rate		6.42%	6.64%		
Financial Liabilities:					
Payables		-	-	47 796	47 796
Borrowings		-	-	75	1 285
		-	-	47 871	49 081
Weighted average interest rate		-	-		

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

(i) On Balance Sheet Financial Instruments

The credit risk on financial assets recognised in the Balance Sheet is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to Receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from Government customers with minimal credit risk. The credit risk relating to Cash Holdings and Investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit-rating agencies.

(ii) Off Balance Sheet Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Balance Sheet Financial Instruments.

(d) Liquidity Risk

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's Liquidity Risk Management Policy.

(e) Fair Values of Financial Assets and Financial Liabilities

Fair values of financial assets and financial liabilities are determined by the Consolidated Entity on the following basis:

(i) On Balance Sheet Financial Instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers. Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value. The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) Off Balance Sheet Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Balance Sheet Financial Instruments.

32. Investments in Controlled Entities

Controlled entities and contribution to operating result before elimination of consolidation items:

	Holding		Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2007 Percent	2006 Percent	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Controlled Entity								
The Adelaide Research and Innovation Investment Trust	100	100	1 317	7 063	-	2 898	(2 157)	3 927
Lubims Pty Ltd	100	100	1 047	2 916	-	-	217	438
Martindale Holdings Pty Ltd as trustee for:								
JS Davies Estate	83	83	18 066	16 514	-	-	2 236	(90)
JAT Mortlock Trust	100	100	25 258	21 265	-	-	2 734	319
Roseworthy Farm	100	100	955	322	-	-	633	44
National Wine Centre Pty Ltd	100	100	-	-	-	-	159	142
Roseworthy Piggery Pty Ltd	100	100	67	6	100	100	(139)	(94)
			46 710	48 086	100	2 998	3 683	4 686

All of the above controlled entities are incorporated in Australia.

The operating deficit for the Adelaide Research & Innovation Investment Trust in 2007 is a result of a donation by its controlled entity, ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd), to the University out of the residual proceeds from the sale of the reproductive medicine business in 2006.

The operating surplus for JAT Mortlock Trust and JS Davies Estate in 2007 is a result of the first time recognition of inventory in the nature of crops due to their change in reporting date from 31 March to 31 December. Refer to Note 11.

JS Davies Estate

The University holds a 5/6th interest in a joint venture named JS Davies Estate, the principal activity of which is farming. The venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated Entity. The remaining 1/6th is recognised as an outside equity interest.

33. Investments in Associates**(a) Equity and Contribution to Operating Result**

Associate Entity	Principal Activity	Holding	Consolidated	Investment	
		2007 Percent	2006 Percent	Carrying Amount 2007 \$'000	at Cost 2006 \$'000
Held by the University					
<i>Unisure Pty Ltd</i>	Responsible for processing of Tertiary Institution Workers compensation Insurance.	33	33	-	-
<i>Ngee Ann Adelaide Education Centre Pte Ltd</i>	Operates a graduate education centre in Singapore.	50	50	401	374
<i>Australian Centre for Plant Functional Genomics Pty Ltd</i>	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	38	31	26	50
<i>Reproductive Health Science Pty Ltd</i>	Development of a diagnostic for the reproductive market.	23	49	137	82
				564	506
				298	298

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

The University has a 25 percent interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity. During 2007 the University contributed \$58 374 (\$91 000) to the operations of SABRENet Ltd.

(b) Movements in Carrying Amounts of Investments in Associates

	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January	506	392	-	-
Additional investment in associates	-	50	-	-
Share of operating result	58	64	-	-
	564	506	-	-

(c) Results Attributed to Associates

	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating result	58	64	-	-
Additional investment in associates	-	50	-	-
Retained surplus attributable to associates at 1 January	506	392	-	-
Retained surplus attributable to associates at 31 December	564	506	-	-

(d) Accounting for Associates**(i) Capital and Other Expenditure Commitments**

There are no material capital and other expenditure commitments relating to associated entities.

(ii) Contingent Liabilities

There are no material contingent liabilities relating to associated entities.

(iii) Post Balance Date Events

There are no material post balance date events to report for associated entities.

(iv) Assets, Liabilities, Revenue and Expenditure

Since the above activities do not materially effect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Balance Sheet Financial Instruments

Neither the Consolidated Entity, nor any of its associated entities, have any Off Balance Sheet Financial Instruments.

(e) Unisure Pty Ltd

The University of Adelaide is a shareholder along with the University of South Australia and The Flinders University of South Australia in Unisure Pty Ltd, the Associate, which manages workers compensation claims on behalf of the three institutions. The University's interest (33.3 percent) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investments in the associates has not been accounted for using the equity method as per AASB 128.

Unisure Pty Ltd is the trustee of the Unisure Unit trust which holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2007 the Unit Trust held net assets of \$4.311 million on behalf of the University of Adelaide (\$5.119 million).

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the Financial Statements.

34. Interests in Joint Ventures**(a) Groups**

The University participates in a number of joint ventures. For reporting purposes these have been segregated into three groups as follows:

(i) Cooperative Research Centres

CRCs have the characteristics of joint ventures. These operations are not material to the University and there is no separate disclosure for 2007 in accordance with AASB 131.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Core participants in these schemes are vested with joint venture interest based on their contribution proportion. The funding of the CRC is coordinated through either a company formed by the core participants or by a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

			Participation Percent
CRC for Greenhouse Gas Technologies	(U)	(C)	9
CRC for Molecular Plant Breeding	(U)	-	23
CRC for Viticulture (Finished June 2007)	(U)	(C)	6
CRC for Water Quality and Treatment	(U)	(C)	4
CRC for Australian Weed Management	(U)	(C)	7
CRC for Plant-Based Management of Dryland Salinity (Finished June 2007)	(U)	(C)	4
CRC for Landscape Environments and Mineral Exploration	(U)	(C)	8
CRC for Aquafin	(U)	(C)	-
CRC for NPB Ltd	(I)	(C)	-
Beef CRC Limited	(I)	(C)	8
Pork CRC Ltd	(I)	-	27
eWater Ltd	(I)	(C)	2
Desert Knowledge	(U)	(C)	-
Future Farm Industries	(I)	(C)	3
Seafood CRC	(I)	-	-

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner

The University is a supporting participant (but not a signatory) for the CRC for Aquafin, a supporting participant for the CRC for NPB Ltd and Seaford CRC, and is an associate participant for the Desert Knowledge CRC under the terms of an Associate Agreement entered into with Ninti One Limited the CRC management company acting as centre agent.

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, of \$1.4 million in cash (\$2 million) and \$20.8 million in kind (\$22.6 million).

(ii) Joint Ventures Accounted for Using the Equity Method

Name	Principal Activity		Participation Percent
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes.	(U)	33
Professional Certificate in Arbitration (previously - National Course in General Arbitration and Dispute Resolution)	To develop and deliver tertiary courses in arbitration.	(U)	50

(ii) *Joint Ventures Accounted for Using the Equity Method (continued)*

Name	Principal Activity		Participation Percent
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia.	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U)	25
South Australian Consortium for Information Technology and Telecommunications	Represents the three South Australian Universities by providing a focal point for the State in pursuing and winning major research funding in IT&T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three SA Universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the SA community.	(U)	33
Water Ed Australia Pty Ltd	A centre of leadership and innovation in collaborative water resources management education and training.	(I)	20
Monoclonal Antibodies South Australia (MAbSA)	Responsible for the development of monoclonal antibodies for the research market.	(U)	50

(I) Incorporated

(U) Unincorporated

All Joint Ventures have a 31 December reporting period, except for South Australian Tertiary Admissions Centre and Water Ed Australia Pty Ltd, which have a 30 June reporting period.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$2.108 million (\$2.823 million). These are included in the consolidated Balance Sheet, in accordance with the accounting policy described in Note 3(I).

(b) *Equity and Contribution to Operating Result*

<i>Joint Venture Entity</i>	2007 Percent	2006 Percent	Carrying Amount		Investment at Cost	
Held by the University:			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Middleback Field Centre	33	33	27	29	-	-
Professional Certificate in Arbitration	50	50	2	69	65	65
South Australian Centre for Economic Studies	50	50	87	115	-	-
South Australian Tertiary Admissions Centre	25	25	197	291	-	-
South Australian Consortium for Information Technology and Telecommunications	33	33	657	969	-	-
Ethics Centre of South Australia	33	33	44	36	-	-
Monoclonal Antibodies South Australia (MAbSA)	50	50	9	9	-	-
Water Ed Australia Pty Ltd	20	20	1 085	1 305	210	70
			2 108	2 823	275	135

(c) Movements in Carrying Amounts of Joint Ventures

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At 1 January	2 823	2 451	-	-
Share of operating result	(855)	302	-	-
Additional investment in joint ventures	140	70	-	-
	2 108	2 823	-	-

(d) Results Attributed to Joint Ventures

Operating result	(855)	302	-	-
Additional investment in joint ventures	140	70	-	-
Retained surplus attributable at 1 January	2 823	2 451	-	-
Retained surplus attributable at 31 December	2 108	2 823	-	-

(e) Accounting for Joint Ventures**(i) Capital and Other Expenditure Commitments**

There are no material capital and other expenditure commitments relating to joint ventures.

(ii) Contingent Liabilities

There are no known material contingent liabilities relating to joint ventures.

(iii) Post Balance Date Events

There are no material post balance date events to report for joint ventures.

(iv) Assets, Liabilities, Revenue and Expenditure

Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) Off Balance Sheet Financial Instruments

Neither the reporting entity, nor any of its joint ventures, have any Off Balance Sheet Financial Instruments.

35. Related Parties**(a) Parent Entity**

The ultimate parent entity within the group is the University of Adelaide.

(b) Controlled Entities, Joint Ventures and Associated Entities

Investments in controlled entities are detailed in Note 32, investments in associates are detailed in Note 33 and interests in joint ventures are detailed in Note 34.

(c) Council Members and Senior Management

Disclosures relating to the University Council Members and Senior Management are detailed in Note 30.

(d) Councillor Related Transactions

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members, are trivial and domestic in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.

(e) Property Leases

The University is the lessor of long-term leases at peppercorn rents to the CSIRO, Australian Wine Research Institute and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 34.

(f) Fees Paid to Members of Council

No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

(g) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within these financial statements, such students are subject to the normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 36 to Note 41 has been prepared in accordance with the DEEWR reporting guidelines.

36. Income Statement for the Year Ended 31 December 2007

	Note	Consolidated		University	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
REVENUE FROM CONTINUING OPERATIONS:					
Australian Government financial assistance	37	293 811	275 724	293 811	275 724
State and Local Government financial assistance	39	17 705	27 042	17 450	26 759
HECS-HELP - student upfront payments	4	10 236	9 773	10 236	9 773
Fees and charges	40	96 902	87 441	96 915	87 083
Investment income		17 813	29 180	22 811	27 071
Royalties, trademarks and licenses	4	1 126	2 049	526	708
Consultancy and contract revenue	41	47 724	45 915	27 409	29 335
Net gains on disposal of assets		-	2 908	-	-
Other revenue		52 817	34 686	28 834	17 332
Sub-Total		538 134	514 718	497 992	473 785
Deferred government superannuation contributions		(1 200)	600	(1 200)	600
Total Operating Revenue from Continuing Operations		536 934	515 318	496 792	474 385
Share of net profits (losses) of associates and joint ventures accounted for using the equity method		(797)	366	-	-
Total Revenue from Continuing Operations		536 137	515 684	496 792	474 385
EXPENSES FROM CONTINUING OPERATIONS:					
Salaries and related expenses	5	280 232	256 613	270 910	248 797
Depreciation and amortisation	5	21 632	20 759	20 856	19 936
Building and grounds	5	33 005	32 134	31 894	30 892
Bad and doubtful debts	5	312	717	334	652
Finance costs	5	466	143	466	143
Scholarships, grants and prizes		23 702	21 622	23 702	21 622
Non-capitalised equipment	5	8 690	9 547	8 690	9 494
Advertising, marketing and promotional expenses		3 254	4 449	3 234	4 449
Net losses on disposal of assets	5	267	-	445	1 495
Other expenses		132 709	130 560	103 588	100 927
Sub-Total		504 269	476 544	464 119	438 407
Deferred Government employee benefits for superannuation		(1 200)	600	(1 200)	600
Total Expenses from Continuing Operations		503 069	477 144	462 919	439 007
Operating Result from Continuing Operations		33 068	38 540	33 873	35 378
Operating result from discontinued Operations		-	359	-	-
NET OPERATING RESULT FOR THE YEAR		33 068	38 899	33 873	35 378

37. Australian Government Financial Assistance

(a) DEEWR - Commonwealth Grants Scheme and Other DEEWR Grants

Commonwealth grants scheme	85 006	78 184	85 006	78 184
Teaching hospitals grant	617	567	617	567
Indigenous support fund	546	472	546	472
Equity programmes	193	178	193	178
Workplace reform programme	1 143	1 075	1 143	1 075
Learning and teaching performance fund	1 342	-	1 342	-
Capital development pool	2 000	2 129	2 000	2 129
Superannuation programme	2 688	2 590	2 688	2 590
Collaboration and structural reform programme	50	20	50	20
Workplace productivity programme	209	112	209	112
	93 794	85 327	93 794	85 327

(b) Higher Education Loan Programmes

HECS-HELP (Australian Government payments only)	49 471	41 671	49 471	41 671
FEE-HELP	5 378	5 078	5 378	5 078
OS-HELP	428	356	428	356
	55 277	47 105	55 277	47 105

	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(c) Scholarships				
Australian postgraduate awards	4 301	4 381	4 301	4 381
International postgraduate research scholarships	932	899	932	899
Commonwealth education costs scholarships	801	543	801	543
Commonwealth accommodation scholarships	1 225	886	1 225	886
	7 259	6 709	7 259	6 709
(d) DEEWR Research				
Institutional grants scheme	16 500	16 371	16 500	16 371
Research training scheme	28 989	29 757	28 989	29 757
Systemic infrastructure initiative	-	-	-	-
Research infrastructure block grants	13 820	14 248	13 820	14 248
Implementation assistance programme	82	-	82	-
Australian scheme for higher education repositories	145	-	145	-
	59 536	60 376	59 536	60 376
(e) Australian Research Council				
(i) Discovery:				
Projects	10 724	11 089	10 724	11 089
Fellowships	911	966	911	966
Indigenous researchers development	38	-	38	-
	11 673	12 055	11 673	12 055
(ii) Linkages:				
Special research initiatives	-	57	-	57
Infrastructure	951	785	951	785
International	137	120	137	120
Projects	3 879	4 265	3 879	4 265
	4 967	5 227	4 967	5 227
(iii) Networks and Centres:				
Networks	637	624	637	624
Centres	2 071	3 007	2 071	3 007
	2 708	3 631	2 708	3 631
(f) Other Australian Government Financial Assistance Received				
Australian Centre for International Agricultural Research	522	413	522	413
Australian Institute of Health and Welfare	598	674	598	674
CSIRO	2 276	814	2 276	814
Defence, Science and Technology Organisation	2 137	2 214	2 137	2 214
Department of Agriculture, Fisheries and Forestry	13 583	16 731	13 583	16 731
Department of Communications, IT and Arts	224	728	224	728
Department of Defence	90	50	90	50
Department of Education, Science and Training	3 163	181	3 163	181
Department of Environment and Heritage	224	272	224	272
Department of Health and Aged Care	35 075	32 510	35 075	32 510
Department of Trade and Economic Development	32	-	32	-
Department of Veteran's Affairs	256	111	256	111
Other	417	596	417	596
	58 597	55 294	58 597	55 294
Reconciliation				
Australian Government grants	238 962	228 975	238 962	228 975
HECS-HELP - Australian Government payments	49 471	41 671	49 471	41 671
Other Australian Government loan programmes	5 378	5 078	5 378	5 078
	293 811	275 724	293 811	275 724
(g) Australian Government Grants Received - Cash Basis				
CGS and other DEEWR grants	93 794	85 327	93 794	85 327
Higher education loan programmes	51 210	50 425	51 210	50 425
Scholarships	7 142	6 709	7 142	6 709
DEEWR research	59 536	60 376	59 536	60 376
ARC grants - Discovery	11 673	12 162	11 673	12 162
ARC grants - Linkages	4 967	5 449	4 967	5 449
ARC grants - Networks and centres	2 708	3 631	2 708	3 631
Other Australian Government grants	59 417	52 864	59 417	52 864
	290 447	276 943	290 447	276 943
OS-Help (Net)	457	(453)	457	(453)
	290 904	276 490	290 904	276 490

38. Acquittal of Australian Government Financial Assistance**(a) DEEWR - Commonwealth Grants Scheme and Other DEEWR Grants**

		Parent Entity (University) Only			
		Commonwealth Grants Scheme		Teaching Hospitals Grant	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Note					
Financial assistance received in cash during the reporting period		85 006	78 184	617	567
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(a)	85 006	78 184	617	567
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		85 006	78 184	617	567
Less: Expenses Including Accrued Expenses		85 006	78 184	617	567
Surplus (Deficit) for the Reporting Period		-	-	-	-
		Indigenous Support Fund		Equity Programme	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Note					
Financial assistance received in cash during the reporting period		546	472	193	178
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(a)	546	472	193	178
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		546	472	193	178
Less: Expenses Including Accrued Expenses		546	472	193	178
Surplus (Deficit) for the Reporting Period		-	-	-	-
		Workplace Reform Programme		Learning and Teaching Performance Fund	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Note					
Financial assistance received in cash during the reporting period		1 143	1 075	1 342	-
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(a)	1 143	1 075	1 342	-
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		1 143	1 075	1 342	-
Less: Expenses Including Accrued Expenses		1 143	1 075	1 342	-
Surplus (Deficit) for the Reporting Period		-	-	-	-
		Capital Development Pool		Superannuation Programme	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Note					
Financial assistance received in cash during the reporting period		2 000	2 129	2 688	2 590
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(a)	2 000	2 129	2 688	2 590
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		2 000	2 129	2 688	2 590
Less: Expenses Including Accrued Expenses		2 000	2 129	2 688	2 590
Surplus (Deficit) for the Reporting Period		-	-	-	-

(a) **DEEWR - Commonwealth Grants Scheme and Other DEEWR Grants (continued)**

Note	Collaboration and Structural Reform Programme		Workplace Productivity Programme	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	50	20	209	112
Net accrual adjustments	-	-	-	-
Revenue for the Period	50	20	209	112
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	50	20	209	112
Less: Expenses Including Accrued Expenses	50	20	209	112
Surplus (Deficit) for the Reporting Period	-	-	-	-

		Total	
		2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		93 794	85 327
Net accrual adjustments		-	-
Revenue for the Period	37(a)	93 794	85 327
Surplus (Deficit) from the previous year		-	-
Total Revenue Including Accrued Revenue		93 794	85 327
Less: Expenses Including Accrued Expenses		93 794	85 327
Surplus (Deficit) for the Reporting Period		-	-

(b) **Higher Education Loan Programmes**

Note	Parent Entity (University) Only HECS-HELP (Australian Government payments only)		FEE-HELP	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	46 253	43 613	4 500	6 456
Net accrual adjustments	3 218	(1 942)	878	(1 378)
Revenue for the Period	49 471	41 671	5 378	5 078
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	49 471	41 671	5 378	5 078
Less: Expenses Including Accrued Expenses	49 471	41 671	5 378	5 078
Surplus (Deficit) for the Reporting Period	-	-	-	-

		Total	
		2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		50 753	50 069
Net accrual adjustments		4 096	(3 320)
Revenue for the Period	37(b)	54 849	46 749
Surplus (Deficit) from the previous year		-	-
Total Revenue Including Accrued Revenue		54 849	46 749
Less: Expenses Including Accrued Expenses		54 849	46 749
Surplus (Deficit) for the Reporting Period		-	-

**(b) Higher Education Loan Programmes
(continued)**

	Note	OS-HELP		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		457	356	51 210	50 425
Net accrual adjustments		(29)	-	4 067	(3 320)
Revenue for the Period	37(b)	428	356	55 277	47 105
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		428	356	55 277	47 105
Less: Expenses Including Accrued Expenses		428	356	55 277	47 105
Surplus (Deficit) for the Reporting Period		-	-	-	-

(c) Scholarships

	Note	Parent Entity (University) Only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		4 301	4 381	815	899
Net accrual adjustments		-	-	117	-
Revenue for the Period	37(c)	4 301	4 381	932	899
Surplus (Deficit) from the previous year		572	317	-	-
Total Revenue Including Accrued Revenue		4 873	4 698	932	899
Less: Expenses Including Accrued Expenses		3 948	4 126	932	899
Surplus (Deficit) for the Reporting Period		925	572	-	-

	Note	Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		801	543	1 225	886
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(c)	801	543	1 225	886
Surplus (Deficit) from the previous year		74	12	254	70
Total Revenue Including Accrued Revenue		875	555	1 479	956
Less: Expenses Including Accrued Expenses		875	481	1 479	702
Surplus (Deficit) for the Reporting Period		-	74	-	254

		Total	
		2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		7 142	6 709
Net accrual adjustments		117	-
Revenue for the Period	37(c)	7 259	6 709
Surplus (Deficit) from the previous year		900	399
Total Revenue Including Accrued Revenue		8 159	7 108
Less: Expenses Including Accrued Expenses		7 234	6 208
Surplus (Deficit) for the Reporting Period		925	900

(d) DEEWR Research

Note	Parent Entity (University) Only			
	Institutional Grants Scheme		Research Training Scheme	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	16 500	16 371	28 989	29 757
Net accrual adjustments	-	-	-	-
Revenue for the Period	16 500	16 371	28 989	29 757
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	16 500	16 371	28 989	29 757
Less: Expenses Including Accrued Expenses	16 500	16 371	28 989	29 757
Surplus (Deficit) for the Reporting Period	-	-	-	-

Note	Systemic Infrastructure Initiative		Research Infrastructure Block Grants	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	-	-	13 820	14 248
Net accrual adjustments	-	-	-	-
Revenue for the Period	-	-	13 820	14 248
Surplus (Deficit) from the previous year	-	10	-	-
Total Revenue Including Accrued Revenue	-	10	13 820	14 248
Less: Expenses Including Accrued Expenses	-	10	13 820	14 248
Surplus (Deficit) for the Reporting Period	-	-	-	-

Note	Implementation Assistance Programme		Australian Scheme for Higher Education Repositories	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	82	-	145	-
Net accrual adjustments	-	-	-	-
Revenue for the Period	82	-	145	-
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	82	-	145	-
Less: Expenses Including Accrued Expenses	82	-	145	-
Surplus (Deficit) for the Reporting Period	-	-	-	-

Note	Total	
	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	59 536	60 376
Net accrual adjustments	-	-
Revenue for the Period	59 536	60 376
Surplus (Deficit) from the previous year	-	10
Total Revenue Including Accrued Revenue	59 536	60 386
Less: Expenses Including Accrued Expenses	59 536	60 386
Surplus (Deficit) for the Reporting Period	-	-

(e) Australian Research Council Grants - Discovery

	Note	Parent Entity (University) Only			
		Projects		Fellowships	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		10 724	11 189	911	973
Net accrual adjustments		-	(100)	-	(7)
Revenue for the Period	37(e)	10 724	11 089	911	966
Surplus (Deficit) from the previous year		4 603	3 867	503	752
Total Revenue Including Accrued Revenue		15 327	14 956	1 414	1 718
Less: Expenses Including Accrued Expenses		10 745	10 353	845	1 215
Surplus (Deficit) for the Reporting Period		4 582	4 603	569	503

	Note	Indigenous Researchers Development			
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		38	-	11 673	12 162
Net accrual adjustments		-	-	-	(107)
Revenue for the Period	37(e)	38	-	11 673	12 055
Surplus (Deficit) from the previous year		5	6	5 111	4 625
Total Revenue Including Accrued Revenue		43	6	16 784	16 680
Less: Expenses Including Accrued Expenses		40	1	11 630	11 569
Surplus (Deficit) for the Reporting Period		3	5	5 154	5 111

(f) Australian Research Council Grants - Linkages

	Note	Parent Entity (University) Only			
		Special Research Initiatives		Infrastructure	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		-	57	951	785
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(e)	-	57	951	785
Surplus (Deficit) from the previous year		12	54	613	771
Total Revenue Including Accrued Revenue		12	111	1 564	1 556
Less: Expenses Including Accrued Expenses		12	99	1 065	943
Surplus (Deficit) for the Reporting Period		-	12	499	613

	Note	International Projects			
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		137	269	3 879	4 338
Net accrual adjustments		-	(149)	-	(73)
Revenue for the Period	37(e)	137	120	3 879	4 265
Surplus (Deficit) from the previous year		91	292	2 234	1 750
Total Revenue Including Accrued Revenue		228	412	6 113	6 015
Less: Expenses Including Accrued Expenses		114	321	4 429	3 781
Surplus (Deficit) for the Reporting Period		114	91	1 684	2 234

(f) <i>Australian Research Council Grants - Linkages (continued)</i>	Note	Total	
		2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		4 967	5 449
Net accrual adjustments		-	(222)
Revenue for the Period	37(e)	4 967	5 227
Surplus (Deficit) from the previous year		2 950	2 867
Total Revenue Including Accrued Revenue		7 917	8 094
Less: Expenses Including Accrued Expenses		5 620	5 144
Surplus (Deficit) for the Reporting Period		2 297	2 950

(g) <i>Australian Research Council Grants - Networks and Centres</i>	Note	Parent Entity (University) Only			
		Networks		Centres	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period		637	624	2 071	3 007
Net accrual adjustments		-	-	-	-
Revenue for the Period	37(e)	637	624	2 071	3 007
Surplus (Deficit) from the previous year		618	585	-	355
Total Revenue Including Accrued Revenue		1 255	1 209	2 071	3 362
Less: Expenses Including Accrued Expenses		678	591	2 071	3 362
Surplus (Deficit) for the Reporting Period		577	618	-	-

	Total	
	2007 \$'000	2006 \$'000
Financial assistance received in cash during the reporting period	2 708	3 631
Net accrual adjustments	-	-
Revenue for the Period	2 708	3 631
Surplus (Deficit) from the previous year	618	940
Total Revenue Including Accrued Revenue	3 326	4 571
Less: Expenses Including Accrued Expenses	2 749	3 953
Surplus (Deficit) for the Reporting Period	577	618

39. State and Local Government Financial Assistance

(a) <i>South Australian Government and Local Government Financial Assistance</i>	Consolidated		University	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Arts SA	123	54	123	54
Bio Innovation SA	895	2 072	895	2 009
Central Northern Adelaide Health Service	2 543	2 151	2 543	2 151
Department for Environment and Heritage	626	460	626	460
Department for Families and Communities	17	20	17	20
Department of Further Education, Employment, Science and Technology	3 715	2 622	3 715	2 622
Department of Health	1 112	2 262	1 112	2 262
Department of the Premier and Cabinet	289	262	289	262
Department of Primary Industries and Resources	1 528	10 967	1 528	10 967
Department of Education and Children Services	11	11	11	11
Department for Trade and Economic Development	97	30	97	30
Department for Transport, Energy and Infrastructure	607	578	607	578
Department of Water, Land and Biodiversity Conservation	733	710	733	710
Institute of Medical and Veterinary Science	91	36	91	36
Motor Accident Commission	674	595	674	595
Office for the Commissioner for Public Employment	-	5	-	5
Police Department SA	105	150	105	150
Public Trustee Office	26	25	26	25

(a) **South Australian Government and Local Government Financial Assistance**
(continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Repatriation General Hospital	25	6	25	6
Royal Adelaide Hospital	2 413	1 894	2 413	1 894
South Australian Dental Service	126	141	126	141
South Australian Museum	223	234	223	234
Southern Adelaide Health Service	-	89	-	89
Southern York Peninsula Health Commission	255	220	-	-
Children, Youth and Women's Health Service	402	645	402	645
WorkCover Corporation	-	14	-	14
Other	714	444	714	444
Total South Australian Government and Local Government Financial Assistance	17 352	26 697	17 097	26 414

(b) Other State Government and Local Government Financial Assistance

Total State Government and Local Government Financial Assistance

353	345	353	345
17 705	27 042	17 450	26 759

40. **Fees and Charges**

Fees and charges were collected from the following sources during the reporting period:

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Student fee income	Note 4	81 060	71 033	81 060	71 033
Library charges and fines	4	936	882	936	882
Application management and late fees	4	660	564	660	564
Parking fees	4	978	929	978	929
Rental charges/accommodation fees	4	8 976	8 279	8 989	7 921
Recharge of costs to other organisations	4	218	1 019	218	1 019
Franchise fees	4	917	978	917	978
Other		3 157	3 757	3 157	3 757
Total		96 902	87 441	96 915	87 083

41. **Consultancy and Contract Revenue**

Consultancy	20 941	18 001	6 652	4 882
Contract research	26 783	27 914	20 757	24 453
Total	47 724	45 915	27 409	29 335

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The University of South Australia (the University) is established under the *University of South Australia Act 1990*.

Functions

To provide tertiary education programs, preserve, extend and disseminate knowledge through teaching, research, scholarship and consultancy and to provide educational programs for the benefit and enhancement of the wider community.

The University has a financial interest in a number of entities as detailed in Notes 1(b), 33, 34 and 35 to the financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University for each year of operation.

Assessment of Controls

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the University over 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 to obtain sufficient evidence to form an opinion on the financial report and internal controls.

For the year ended 31 December 2007, areas reviewed included:

- expenditure
- payroll
- revenue (including student fees)
- fixed assets
- information systems and computer processing environments.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

The following is an extract from the 2007 Independent Auditor's Report, which details the qualification to the University's financial report.

Basis for Qualified Audit Opinion

The University has recognised \$10.6 million (\$8.9 million in 2006) of unspent government grants as a liability for the year ended 31 December 2007. The amount has been recognised as income received in advance and included in 'Other Liabilities' - Commonwealth and State Government Grants and Income in Advance on Incomplete Projects in Note 26 to the financial statements. The University has disclosed its accounting treatment for these grants in Note 1(d) to the financial statements.

In my opinion, the government grants are contributions and meet the criteria for recognition as income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with grant conditions. It is improbable that unspent funds will be repaid to the granting bodies and as such grant funds received, including any unspent portion, should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2007 Financial Report:

- *the revenue recognised as State and Local Government Financial Assistance is understated by \$2.2 million (\$3.8 million understated in 2006)*
- *the revenue recognised as Australian Government Grants is overstated by \$0.5 million (\$1.3 million understated in 2006)*
- *Net Operating Result and Retained Surplus is understated by \$1.7 million (\$5.1 million understated in 2006) and \$8.9m (\$3.8 million understated in 2006) respectively*
- *Other Liabilities is overstated by \$10.6 million (\$8.9 million in 2006).*

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the University of South Australia and of the economic entity as at 31 December 2007, 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 Supporting Act 2003, and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the University over 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 Payroll, Expenditure and Revenue as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the University have been conducted properly and in accordance with law.

Communication of Audit Matters

Audit matters were detailed in letters to the Vice Chancellor. The University's response to these matters was generally considered to be satisfactory. Major matters raised with the University and related responses are outlined hereunder.

Government Grant Funding

As occurred last year, the University has recognised a liability for some grants which were unspent as at 31 December 2007.

In my opinion, these grants represent contributions which are non-reciprocal and the University obtains control of the grant funding on receipt. As a consequence, in accordance with AASB 1004, these grants should be recognised as revenue in the year of receipt.

As a result, the Independent Auditor's Report on the University's financial report for 2007 (and 2006) was qualified on the treatment of those government grants. The financial effect of the non-compliance with the Accounting Standard is provided above under the heading 'Auditor's Report on the Financial Report'.

Payroll

Validity and Accuracy of Casual Employee Payroll Transactions

In recent years, Audit has reported a need to improve the independent review of the validity and accuracy of casual employee payments. During 2007, the University updated its guidelines to include the parties responsible for the review. However, consistent with prior years, Audit found that in practice, reviews were not performed sufficiently and/or consistently to achieve the objective of verifying the validity and accuracy of casual payments.

The University has advised that consideration will be given to introducing more detailed guidelines in relation to the extent of the review to be undertaken.

Recording of Leave

There remains a need to improve controls for ensuring all leave taken by permanent and fixed contract employees is entered into the payroll system and paid appropriately. It is acknowledged that other controls employed by the University reduce the size of potential errors. However, while these controls will prevent large errors, inadequate leave recording and processing could result in invalid payments to employees.

The University advised that opportunities to further improve its leave recording controls will be considered.

Expenditure

Verification of Authorisations

Consistent with past year findings, expenditure authorisations were not, in all instances, being verified against the Vice Chancellor's Authorisations prior to purchase and/or payment. A review of a sample of payments revealed instances where payments were approved by officers without adequate delegated authority.

Purchasing

Consistent with prior years, Audit noted instances where there was no independence between purchasing, receiving goods and approving the payment for such goods.

The University has advised that these expenditure matters will be addressed by the introduction of an automated workflow system for approvals which is intended to be rolled out across the University by the end of 2009.

Revenue

The audit found that there is potential to further strengthen the internal controls supporting transnational revenue. Matters include recommendations aimed at improving consistency in feasibility assessments, contractual arrangements, and reconciliations aimed at ensuring completeness of revenue.

The University advised that resulting from an internal review, these control areas have been subject to ongoing improvement. The response also indicated that certain aspects of its transnational operations will be scaled back in the future.

Information Communications Technology (ICT) Review

During 2008, Audit undertook a review of specific ICT controls for the personnel and payroll functions and the accounts payable function and their computer processing environments.

A further focus was given to certain aspects of the management and control of ICT as it applies across the University and the University's use of Electronic Funds Transfer (EFT) facilities for the personnel and payroll and accounts payable systems.

Review Findings

The Audit found the University's high level governance arrangements for the control of ICT were satisfactory. Important elements in place were appropriate information technology strategic management and budgetary control mechanisms.

There were, however, certain areas identified for improvement. The more notable of these were:

- Information security policies for the University could be documented in a more consistent format
- Improvements were required to security related documentation for the systems supporting the personnel and payroll functions and the accounts payable function. Improvements could also be made to certain standards and documentation to reduce the over-reliance on knowledge possessed by key technical staff
- There was no information security classification process across the University which could impact how information is handled and/or secured

- Formal processes needed to be implemented to ensure the logging of relevant activity for the two systems and the University's network
- The physical security over access to the EFT infrastructure needed improvement
- Additional information could be provided in the University's disaster recovery plan.

Review Response

The University provided an appropriate response to address the matters raised. In several instances the University had taken action to implement recommended improvements.

For some particular matters, reference will be made to the University's Information, Intelligence and Information Technology Management Group for action as appropriate. One key finding to be referred to the Group is the lack of an information security classification process across the University. Other matters will be addressed as part of a planned review by the University of its information security policies.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The following analysis has been prepared from the financial report information and should be read in conjunction with the 'Qualified Auditor's Opinion' as provided under the heading 'Auditor's Report on the Financial Report'. The qualification expresses that the University has not applied AASs and mandatory APFs when reporting grant revenues.

The Income Statement includes revenue and expense disclosures relating to superannuation (Commonwealth supplementation, \$22.1 million, and Deferred government contributions, \$8.7 million). As these disclosures do not have an affect on the overall operating result for the year they have been excluded from the interpretation and analysis of the financial report.

Highlights of the Financial Report (Consolidated)

	2007 \$'million	2006 \$'million	Percentage Change
INCOME			
Australian Government grants and FEE-HELP	170	157	8
HECS-HELP (Australian Government and student)	80	76	5
Fees and charges	87	79	10
Other	61	57	7
Total Income	398	369	8
EXPENSES			
Employee benefit costs	235	209	12
Other	139	129	8
Total Expenses	374	338	11
Operating Result before Income Tax	24	31	(23)
NET CASH INFLOWS FROM OPERATING ACTIVITIES	53	54	(2)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(46)	(46)	-
ASSETS			
Current assets	134	128	5
Non-current assets	860	773	11
Total Assets	994	901	10
LIABILITIES			
Current liabilities	84	85	(1)
Non-current liabilities	308	310	(1)
Total Liabilities	392	395	(1)
EQUITY	602	506	19

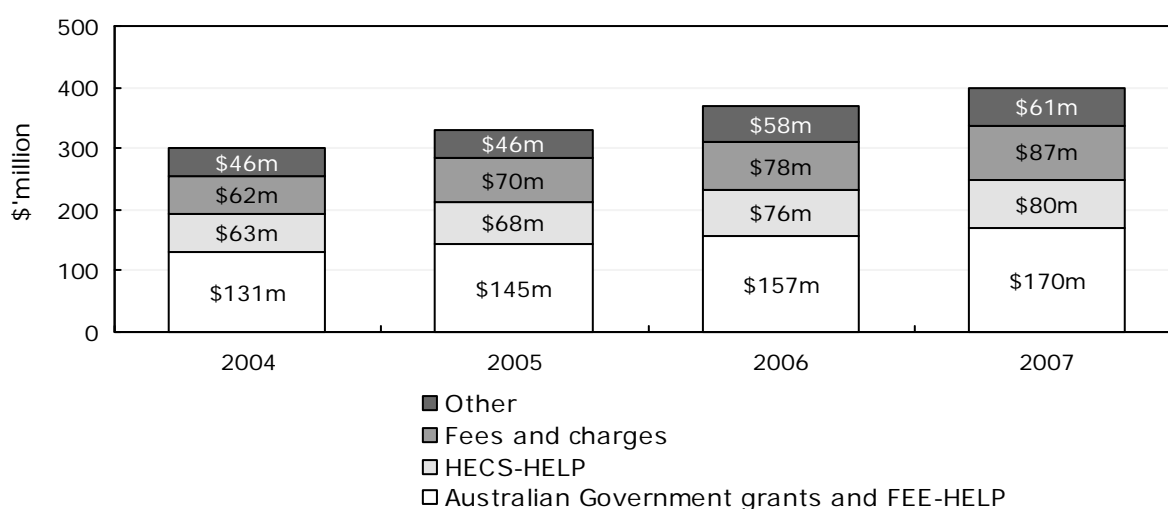
Income Statement (Consolidated)

Income

Income increased by \$29.7 million due mainly to:

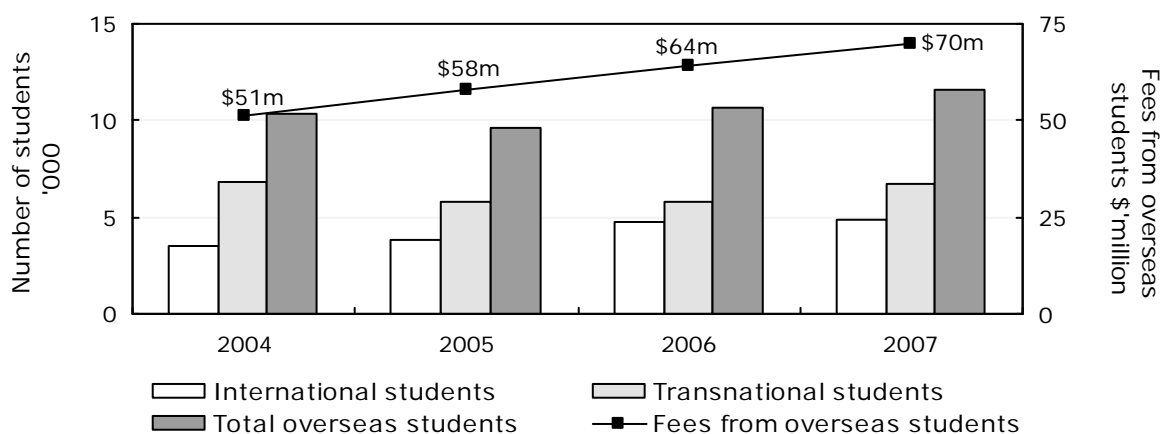
- An increase in Australian Government financial assistance, (including the Higher Education Contribution Scheme (HECS)) of \$17 million, to \$238 million. This increase resulted mainly from a:
 - \$7.7 million increase in the base operating grant reflecting a 4 percent indexation rate and increased student activity;
 - \$3.8 million increase in HECS-HELP due to a 4 percent indexation rate and an increase in eligible students;
 - \$3.6 million increase in other Commonwealth government research grants.
- Fees and Charges increased by \$8.2 million to \$86.8 million. This was due mainly to an increase in fees from overseas students of \$6.1 million to \$69.7 million.
- Consultancy and contract research increased by \$5.1 million to \$23.3 million.

A structural analysis of the University's income for the four years to 2007 is presented in the following chart.



The chart demonstrates continued growth in revenue from fees and charges which is due mainly to increases in fees from overseas students.

The following chart highlights the upward trend in fees from overseas students (both international and transnational). This trend is due mainly to an increase in student enrolments.



Source: Student numbers were obtained from the University's annual reports and are unaudited figures.

Over the four year period, overseas student numbers have increased by 12 percent. Revenue from fee paying overseas students now represents 18 percent of total revenue compared to 16 percent in 2004.

Expenses

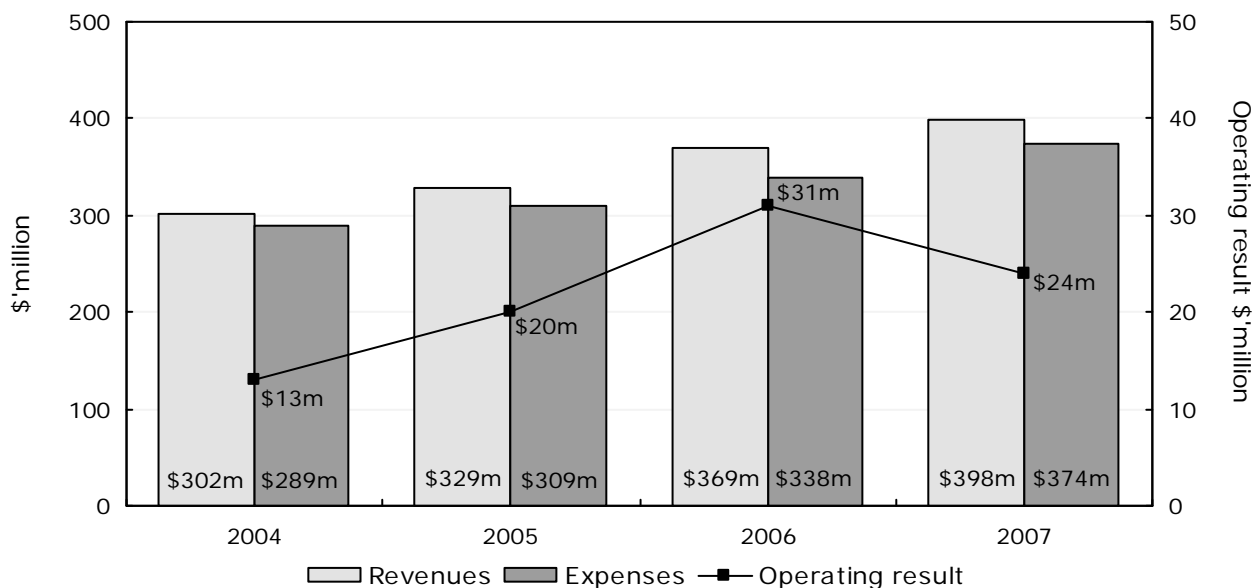
Expenses increased by \$36 million, totalling \$374 million. The main expense of the University is employee benefits. This item increased by \$26 million to \$235 million. This was due mainly to wage rate increases and an increase in staff numbers.

Other expenses increased by \$10 million. Of note were increases in scholarships, grant and prizes, \$4.1 million, external services, \$3.1 million, and travel, staff development and entertainment, \$1.6 million.

Operating Result

The result of operations for the year was a surplus of \$24 million (\$31 million), a decrease of \$7 million.

The following chart shows the movement in income, expenses and the operating result before income tax for the current and preceding three years.



Balance Sheet (Consolidated)

The main item of the University's Balance Sheet is property, plant and equipment, representing 58 percent of total assets. The carrying value of property, plant and equipment increased by \$92 million, to \$573 million, due to the following:

- Land and buildings were revalued resulting in a net increase of \$70.2 million
- Continuation of major capital development projects added \$29 million
- Acquisition of buildings at cost of \$5 million
- Other asset additions of \$10.6 million
- Offsetting depreciation charges of \$22.8 million.

Cash Flow Statement (Consolidated)

The following table summarises the net cash flows for the four years to 2007.

	2007 \$'million	2006 \$'million	2005 \$'million	2004 \$'million
Net Cash Flows				
Operations	53	54	45	22
Investing	(46)	(46)	(12)	(74)
Financing	(1)	(16)	(1)	(2)
Change in Cash	6	(9)	32	(54)
Cash at 31 December	78	72	81	49

A significant portion of the University's net operating inflows continue to be offset by investing outflows, which primarily comprise payments for property, plant and equipment.

Income Statement for the year ended 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
REVENUE FROM CONTINUING OPERATIONS:	Note				
Australian Government financial assistance:					
Australian Government grants	3,41	165 634	153 554	165 634	153 554
HECS-HELP Australian Government payments	3,41	68 152	64 353	68 152	64 353
FEE-HELP	3,41	4 527	3 448	4 527	3 448
State and Local Government financial assistance	4	9 676	8 833	9 676	8 833
HECS-HELP Student payments		11 776	12 129	11 776	12 129
Fees and charges	5	86 826	78 658	86 826	78 658
Investment income	6	6 839	6 276	7 676	7 218
Royalties		591	646	534	504
Consultancy and contract research	7	23 274	18 130	23 400	18 234
Other revenue	8	21 687	23 223	14 259	16 230
		398 982	369 250	392 460	363 161
Superannuation:					
Commonwealth supplementation	3,32	22 074	22 671	22 074	22 671
Deferred government contributions	32	(8 700)	-	(8 700)	-
Total Revenue from Continuing Operations		412 356	391 921	405 834	385 832
Other income (loss)	9	(349)	(346)	(347)	(332)
Total Income		412 007	391 575	405 487	385 500
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits and on-costs	10	235 085	208 759	230 751	205 204
Depreciation and amortisation	11	23 453	21 054	23 260	20 902
Repairs and maintenance	12	6 756	8 402	6 740	8 382
Finance costs	13	40	612	40	612
Bad and doubtful debts	14	(457)	1 055	(457)	1 055
Other expenses	15	109 372	98 266	107 316	96 378
		374 249	338 148	367 650	332 533
Superannuation:					
Commonwealth supplementation	10,32	22 074	22 671	22 074	22 671
Deferred employee benefits	32	(8 700)	-	(8 700)	-
Total Expenses from Continuing Operations		387 623	360 819	381 024	355 204
OPERATING RESULT BEFORE INCOME TAX		24 384	30 756	24 463	30 296
Income Tax Expense		-	216	-	216
OPERATING RESULT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF THE UNIVERSITY OF SOUTH AUSTRALIA		24 384	30 540	24 463	30 080

Balance Sheet as at 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:	Note				
Cash and cash equivalents	16	77 933	72 479	75 698	69 804
Receivables	17	23 356	21 769	21 885	20 600
Other financial assets	19	420	492	420	492
Other non-financial assets	22	7 350	6 877	7 333	6 852
Deferred government superannuation contribution	32	24 600	26 200	24 600	26 200
Total Current Assets		133 659	127 817	129 936	123 948
NON-CURRENT ASSETS:					
Other financial assets	19	9 571	9 313	10 291	10 069
Property, plant and equipment	20	572 732	480 284	572 333	479 901
Intangible assets	21	2 378	948	2 378	948
Deferred government superannuation contribution	32	275 300	282 400	275 300	282 400
Total Non-Current Assets		859 981	772 945	860 302	773 318
Total Assets		993 640	900 762	990 238	897 266
CURRENT LIABILITIES:					
Payables	23	19 496	15 730	19 058	15 297
Borrowings	24	-	1 005	-	1 005
Provisions	25	16 479	16 688	16 139	16 345
Other liabilities	26	22 704	24 447	22 926	24 652
Income tax payable		632	995	632	995
Provision for superannuation	32	24 600	26 200	24 600	26 200
Total Current Liabilities		83 911	85 065	83 355	84 494
NON-CURRENT LIABILITIES:					
Payables	23	3 918	3 211	3 918	3 211
Provisions	25	28 377	23 933	28 377	23 933
Provision for superannuation	32	275 300	282 400	275 300	282 400
Total Non-Current Liabilities		307 595	309 544	307 595	309 544
Total Liabilities		391 506	394 609	390 950	394 038
NET ASSETS		602 134	506 153	599 288	503 228
EQUITY:					
Reserves	27(a)	127 983	56 386	127 983	56 386
Retained surplus	27(b)	474 151	449 767	471 305	446 842
TOTAL EQUITY		602 134	506 153	599 288	503 228

Statement of Recognised Income and Expense for the year ended 31 December 2007

	Note	Consolidated		University	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total Equity at 1 January		506 153	474 707	503 228	472 242
Property, plant and equipment revaluation reserve:					
Gain on revaluation of land and buildings	27(a)	70 203	-	70 203	-
Gain (loss) on revaluation of library	27(a)	940	669	940	669
Available-for-sale investments reserve:					
Gain on revaluation available-for-sale financial assets	27(a)	454	237	454	237
Net Income Recognised Directly in Equity		71 597	906	71 597	906
Operating Result for the Year		24 384	30 540	24 463	30 080
Total Recognised Income and Expense for the Year		95 981	31 446	96 060	30 986
Total Equity at 31 December		602 134	506 153	599 288	503 228
Total recognised income and expense for the year attributable to the University of South Australia		95 981	31 446	96 060	30 986

Cash Flow Statement for the year ended 31 December 2007

		Consolidated		University	
		2007	2006	2007	2006
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		\$'000	\$'000	\$'000	\$'000
INFLOWS:	Note				
Australian Government Grants received	3	262 484	244 930	262 484	244 930
State and Local Government grants		10 704	7 803	10 704	7 803
HECS-HELP - Student payments		12 284	12 040	12 284	12 040
Receipts from student fees and other customers		92 556	89 776	91 813	89 776
Dividends received		343	252	1 352	1 358
Interest received		6 201	6 077	6 029	5 913
Royalties		591	1 080	534	938
Consultancy and contract research		22 111	15 658	22 540	15 750
Other receipts		21 416	22 765	13 990	15 770
Taxes recovered (GST)		5 772	6 201	6 247	6 201
OUTFLOWS:					
Payments to suppliers and employees (inclusive of GST)		(381 678)	(352 107)	(375 099)	(346 896)
Interest paid		(40)	(867)	(40)	(867)
Net Cash Inflows from Operating Activities	37	52 744	53 608	52 838	52 716
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		119	91	119	91
Proceeds from sale of investments		314	303	260	303
OUTFLOWS:					
Payments for property, plant and equipment		(45 599)	(45 328)	(45 389)	(45 026)
Payments for investments		(1 119)	(1 136)	(929)	(996)
Net Cash Outflows from Investing Activities		(46 285)	(46 070)	(45 939)	(45 628)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Principal repayments under finance lease		(1 005)	(1 169)	(1 005)	(1 169)
Repayment of borrowings		-	(15 000)	-	(15 000)
Net Cash Outflows from Financing Activities		(1 005)	(16 169)	(1 005)	(16 169)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5 454	(8 631)	5 894	(9 081)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		72 479	81 110	69 804	78 885
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	77 933	72 479	75 698	69 804
Non-cash investing and financing activities	38				

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 all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with applicable Australian Accounting Standards (AASB), AASB Interpretations and the Department of Education, Employment and Workplace Relations (DEEWR) requirements.

(a) Basis of Preparation (continued)

Except where in conflict with the DEEWR requirements, the financial report is prepared in accordance with the South Australian Treasurer's Instructions and Accounting Policy Statements issued under the provisions of the PFAA.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian currency.

Historical Cost Convention

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities that were valued in accordance with the applicable valuation policy.

Critical Accounting Estimates

Compliance with AASB requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, valuation and depreciation of property, plant and equipment and long service leave. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(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 2007 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 33.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights.

With the exception of Unisure Pty Ltd, the Group has no material investments in associates. The investment in Unisure Pty Ltd has not been accounted for using the equity method however the University has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the Group.

Details of associates are set out in Note 34.

(iii) Joint Venture Operations

If material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation are incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in Note 35. The University's interests in these joint ventures are not considered to be material to the University's core activities.

(iv) Joint Venture Entities

If material, the interest in a joint venture entity are accounted for in the consolidated financial statements using the equity method and are carried at cost by the University.

Under the equity method the Group'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.

Details of joint venture entities are set out in Note 35. The University's interests in these joint ventures are not considered to be material to the University's core activities.

(c) Foreign Currency Translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Financial Assistance

- *DEEWR Financial Assistance (including Commonwealth Grant Scheme, Higher Education Loan Programmes, Scholarships and DEEWR – Research)*

The University recognises DEEWR financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other Financial Assistance (including ARC, NHMRC, Australian Government and State Government)*

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) Fees and Charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment Income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other Revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which 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.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for impairment. Trade receivables are normally due for settlement no more than 14 days from the date of recognition.

Student fees receivables are recognised initially at fair value as at census date and are collectible at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Income Statement in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

(h) Available-for-Sale Financial Assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

(h) Available-for-Sale Financial Assets (continued)

Purchases and sales of investments are recognised on trade-date (the date on which the University commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

If the market for a financial asset is not active (eg unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for Available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement.

(i) Property, Plant and Equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Revaluation increments are credited directly to the asset revaluation reserve except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Income Statement.

Revaluation decrements are debited directly to the asset revaluation reserve to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Income Statement.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of Property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2007 and was performed by P Lornie, B Comm (VFM), AAPI and R Wood, B AppSc PRM(VAL), AAPI from Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(k).

(ii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which Management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2007, the entire buildings portfolio was re-valued independently by P Lornie B Comm (VFM), AAPI and R Wood, B AppSc PRM(VAL), AAPI from Southwick Goodyear Pty Ltd. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the 'written down current cost' for the buildings based upon the 'new replacement cost' having regard to the estimated useful and remaining life for each structure.

Buildings under construction are measured at cost.

(iii) Library Collection

The library collection is valued at fair value. The University has concluded that the collection's fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2007 valuation resulted in an increase of \$940 000. The full amount of the revaluation was credited to the Library Revaluation Reserve.

(iv) Plant and Equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

(v) Art Collection

As at 31 December 2007, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation reserve. The 2007 valuation resulted in no change to the valuation of the art collection. The art collection will be internally re-valued every three years.

(vi) Leased Assets

Leases of Property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases (Note 31). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to Note 31 for details on operating leases.

(j) Depreciation and Amortisation

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The University does not depreciate the art collection because it believes that the collection does not diminish in value over time. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

<i>Asset Class</i>	<i>Useful Life</i>
Property:	
Buildings	50 years
Leasehold improvements	Lease term
Library Collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and Equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased Plant and Equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

(k) Restrictions on Assets

Land includes \$42.130 million (\$21.080 million) of Crown Lands and \$19.610 million (\$13.050 million) of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990* section 6(3).

(l) Intangible Assets

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.

With respect to internally generated intangible assets, expenditure on development activities 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 as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently seven years.

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure will be transferred to Intangibles upon the completion of the project.

(m) Unfunded Superannuation

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs (DETYA), now DEEWR, the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Income Statement and the Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a note to the financial statements. Refer to Note 32.

An arrangement exists between the Australian Government and the South Australian State Government to meet the unfunded liability of the University's beneficiaries of the South Australian 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 as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group.

(n) Trade and Other Payables

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

(o) Employee Benefits

Employee benefits 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. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Wages, Salaries, Non-monetary Benefits and Annual Leave

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(ii) 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.

(iii) 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 2007 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd.

The current portion represents the amount expected to be paid in the following 12 months.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University are expensed in the Income Statement. Note 32 provides details in respect of the individual schemes.

(p) Workers Compensation

The University is responsible for payments of workers compensation. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University. Note 34 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

The provision for workers compensation is independently actuarially estimated each year. The last update was performed at 31 December 2007 by Tania Muller, FIAA, of Mercer Finance and Risk Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development factors for the case estimated incurred costs are determined based on past experience. These factors are used, together with the assumed payment rates, to project claim payments in future years.

(q) Funds Held on Behalf of External Entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash assets and a corresponding liability is included in other liabilities (refer Note 26).

(r) GST

Revenues, expenses and assets other than receivables 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 (excluding accruals) are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement 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.

(s) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in the relevant countries. Tax in respect of these operations has been brought to account in the year it is incurred.

**2. Disaggregated Information
(Consolidated)**

	Revenue		Results		Total Assets	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Geographical						
Australia	381 123	352 074	23 580	28 994	993 640	900 762
Asia	17 638	16 993	794	1 529	-	-
Other	221	183	10	17	-	-
	398 982	369 250	24 384	30 540	993 640	900 762

The University operates in the field of higher education principally in Australia and provides teaching and research services. The results of the geographical segments, other than Australia, are based upon consideration of the variable costs associated with those operations.

**3. Australian Government Grants including
HECS-HELP and Other Australian
Government Loan Programmes**
**(a) Commonwealth Grants Scheme and
Other Grants**

	Note	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
41(a)					
Commonwealth Grants Scheme		117 184	109 526	117 184	109 526
Indigenous Support Fund		1 081	871	1 081	871
Equity Programmes		674	694	674	694
Workplace Reform Programme		1 576	1 511	1 576	1 511
Workplace Productivity Programme		-	412	-	412
Capital Development Pool		318	2 874	318	2 874
Superannuation Programme		22 074	22 671	22 074	22 671
Collaboration and Structural Reform Programme		1 141	1 756	1 141	1 756
Total Commonwealth Grants Scheme and Other Grants		144 048	140 315	144 048	140 315

(b) Higher Education Loan Programmes

	Note	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
41(b)					
HECS-HELP		68 152	64 353	68 152	64 353
FEE-HELP		4 527	3 448	4 527	3 448
Total Higher Education Loan Programmes		72 679	67 801	72 679	67 801

(c) Scholarships

	Note	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
41(c)					
Australian Postgraduate Awards		1 748	1 660	1 748	1 660
International Postgraduate Research Scholarships		346	222	346	222
Commonwealth Education Cost Scholarships		1 615	1 123	1 615	1 123
Commonwealth Accommodation Scholarships		2 027	1 473	2 027	1 473
Indigenous Staff Scholarships		(6)	-	(6)	-
Total Scholarships		5 730	4 478	5 730	4 478

		Consolidated		University	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(d) DEEWR - Research	41(d)				
Institutional Grants Scheme		4 998	4 773	4 998	4 773
Research Training Scheme		9 280	8 544	9 280	8 544
Research Infrastructure Block Grants		1 870	1 655	1 870	1 655
Implementation Assistance Programme		59	-	59	-
Australian Scheme for Higher Education					
Repositories		116	-	116	-
Commercialisation Training Scheme		98	-	98	-
Total DEEWR - Research Grants		16 421	14 972	16 421	14 972
(e) Voluntary Student Unionism	41(e)				
VSU Transition Fund		330	-	330	-
Total Voluntary Student Unionism		330	-	330	-
Total DEEWR Funding		239 208	227 566	239 208	227 566
(f) Australian Research Council	41(f)				
(i) <i>Discovery</i>					
Project		2 119	2 491	2 119	2 491
Total Discovery		2 119	2 491	2 119	2 491
(ii) <i>Linkages</i>					
International		125	116	125	116
Projects		5 248	4 024	5 248	4 024
Infrastructure		109	-	109	-
Total Linkages		5 482	4 140	5 482	4 140
(iii) <i>Networks and Centres</i>					
Research Networks		334	314	334	314
Centres		818	732	818	732
Total Networks and Centres		1 152	1 046	1 152	1 046
(g) Other Australian Government Financial Assistance					
Other Commonwealth Government research grants		12 025	8 389	12 025	8 389
Aboriginal Tutorial Assistance Scheme grant		171	152	171	152
Other Commonwealth grants		230	242	230	242
Total Australian Government Financial Assistance		12 426	8 783	12 426	8 783
Reconciliation:					
Australian Government grants		187 708	176 225	187 708	176 225
HECS-HELP - Australian Government payments		68 152	64 353	68 152	64 353
Other Australian Government loan programmes		4 527	3 448	4 527	3 448
Total Australian Government Financial Assistance		260 387	244 026	260 387	244 026
(h) Australian Government Grant Received - Cash Basis					
CGS and other DEEWR grants		145 323	140 595	145 323	140 595
Higher Education Loan Programmes		72 680	63 010	72 680	63 010
Scholarships		5 730	4 478	5 730	4 478
DEEWR - Research		16 421	14 972	16 421	14 972
Voluntary Student Unionism		330	-	330	-
ARC grants - Discovery		2 582	2 678	2 582	2 678
ARC grants - Linkages		5 988	5 798	5 988	5 798
ARC grants - Networks and Centres		1 096	1 074	1 096	1 074
Other Australian Government grants		12 334	12 574	12 334	12 574
Total Australian Government Grants Received - Cash Basis		262 484	245 179	262 484	245 179
OS-Help (Net)		-	(249)	-	(249)
Total Australian Government Funding Received - Cash Basis		262 484	244 930	262 484	244 930

4.	State and Local Government Financial Assistance	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Research Grants	5 728	7 271	5 728	7 271
	Other	3 948	1 562	3 948	1 562
	Total State and Local Government Financial Assistance	9 676	8 833	9 676	8 833
5.	Fees and Charges	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Course fees and charges:				
	Continuing education	1 503	2 309	1 503	2 309
	Fee-paying overseas students	69 704	63 619	69 704	63 619
	Fee-paying domestic postgraduate students	3 939	3 595	3 939	3 595
	Total Course Fees and Charges	75 146	69 523	75 146	69 523
	Other fees and charges:				
	Open Universities Australia (OUA)	4 725	3 502	4 725	3 502
	Fees - Civil aviation	743	721	743	721
	Miscellaneous enrolment fees	5 361	3 713	5 361	3 713
	Seminar/workshops	851	1 199	851	1 199
	Total Other Fees and Charges	11 680	9 135	11 680	9 135
	Total Fees and Charges	86 826	78 658	86 826	78 658
6.	Investment Income	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Dividends	343	252	1 352	1 358
	Interest	5 917	5 224	5 745	5 060
	Investment income from associated entity (Unisure Pty Ltd)	579	800	579	800
	Total Investment Income	6 839	6 276	7 676	7 218
7.	Consultancy and Contract Research	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Consultancy	4 362	3 576	4 416	3 587
	Contract research	18 912	14 554	18 984	14 647
	Total Consultancy and Contract Research	23 274	18 130	23 400	18 234
8.	Other Revenue	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Donations and bequests	1 646	3 446	1 646	3 446
	Scholarships and prizes	912	340	912	340
	Other fees and charges	13 723	13 802	6 293	6 802
	Other	5 406	5 635	5 408	5 642
	Total Other Revenue	21 687	23 223	14 259	16 230
9.	Other Income	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
	Net gain (loss) on disposal of property, plant and equipment (refer Note 9(a) below)	(399)	(318)	(397)	(304)
	Net gain (loss) on disposal of investments	50	(28)	50	(28)
	Total Other Income	(349)	(346)	(347)	(332)
(a) Net Gain (Loss) on Disposal of Property, Plant and Equipment					
	Property, plant and equipment:				
	Proceeds from sale	119	91	119	91
	Carrying amount of assets sold	(518)	(409)	(516)	(395)
	Net Gain (Loss) on Disposal of Property, Plant and Equipment	(399)	(318)	(397)	(304)
10.	Employee Benefits and On-Costs	Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
(a) Employee Benefits and On-Costs					
	Academic:				
	Salaries	102 328	89 727	102 328	89 727
	Contributions to superannuation and pension schemes:				
	Emerging cost	1 004	1 003	1 004	1 003
	Funded	14 125	12 288	14 125	12 288
	Payroll tax	6 414	5 786	6 414	5 786
	Workers compensation	844	550	844	550
	Long service leave	3 550	2 431	3 550	2 431
	Annual leave	7 110	5 847	7 110	5 847
	Total Academic	135 375	117 632	135 375	117 632

(a) Employee Benefits and On-Costs (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Non-Academic:				
Salaries	74 125	68 241	70 389	65 159
Contributions to superannuation and pension schemes:				
Emerging cost	996	942	691	690
Funded	10 125	9 215	10 125	9 215
Payroll tax	5 471	4 911	5 248	4 733
Workers compensation	499	694	473	670
Long service leave	2 702	2 171	2 658	2 159
Annual leave	5 792	4 953	5 792	4 946
Total Non-Academic	99 710	91 127	95 376	87 572
Total Academic and Non-Academic Employee Benefits and On-Costs	235 085	208 759	230 751	205 204
Contributions to superannuation and pension schemes:				
Emerging cost - Commonwealth supplemented	22 074	22 671	22 074	22 671
Deferred employee benefits for superannuation	(8 700)	-	(8 700)	-
Total Deferred Employee Benefits for Superannuation	13 374	22 671	13 374	22 671
Total Employee Benefits and On-Costs	248 459	231 430	244 125	227 875

(b) Voluntary Separation Packages

Employee benefits include voluntary separation packages as follows:

	Consolidated		University	
	2007	2006	2007	2006
	Number	Number	Number	Number
Number of Voluntary Separation Packages	36	27	36	27
	\$'000	\$'000	\$'000	\$'000
Voluntary separation package expenses	1 957	1 742	1 957	1 742
Annual leave and long service leave entitlements paid	535	727	535	727
Total Amount Associated with Separations	2 492	2 469	2 492	2 469

There is no entitlement to recover separation payments from the Department of the Premier and Cabinet.

(c) Total Aggregate Employee Benefits Liability

In accordance with AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as employee benefits. Below is a composite note showing the total liabilities the University has as at 31 December 2007 relating to employee benefits:

		Consolidated		University	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Annual Leave:	Note				
On-costs included in payables - Current	23	2 093	1 881	2 093	1 881
On-costs included in payables - Non-current	23	1 008	836	1 008	836
Employee benefits - Current	25	9 220	8 138	9 056	7 974
Employee benefits - Non-current	25	4 362	3 542	4 362	3 542
		16 683	14 397	16 519	14 233
Long Service Leave:					
On-costs included in payables - Current	23	615	948	615	948
On-costs included in payables - Non-current	23	2 910	2 375	2 910	2 375
Employee benefits - Current	25	5 277	7 664	5 101	7 485
Employee benefits - Non-current	25	22 420	18 773	22 420	18 773
		31 222	29 760	31 046	29 581
Separations Scheme:					
Employee benefits - Current		1 384	273	1 384	273
Total Aggregate Employee Benefits Liability		49 289	44 430	48 949	44 087

11. Depreciation and Amortisation

Buildings	13 732	12 872	13 659	12 807
Leasehold improvements	410	378	410	378
Library collection	2 599	2 505	2 599	2 505
Plant and equipment	5 063	3 753	4 943	3 666
Amortisation - Intangible asset	691	443	691	443
Amortisation - Leased assets	958	1 103	958	1 103
Total Depreciation and Amortisation	23 453	21 054	23 260	20 902

12. Repairs and Maintenance

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Buildings	6 052	7 886	6 037	7 870
Grounds	704	516	703	512
Total Repairs and Maintenance	6 756	8 402	6 740	8 382

13. Finance Costs

Interest expense	40	576	40	576
Loan guarantee fees	-	36	-	36
Total Finance Costs	40	612	40	612

14. Bad and Doubtful Debts

Doubtful debts	(457)	1 055	(457)	1 055
----------------	-------	-------	-------	-------

15. Other Expenses

Scholarships, grants and prizes	15 457	11 384	15 457	11 384
Non-capitalised equipment	3 665	2 843	3 661	2 836
Advertising, marketing and promotional expenses	4 231	3 331	4 228	3 336
Telecommunications	3 904	4 631	3 823	4 534
Travel, staff development and entertainment	16 840	15 225	16 671	15 052
External services*	33 209	30 061	32 451	29 271
IT hardware and software	6 722	6 660	6 687	6 646
Library subscriptions	3 076	2 483	3 076	2 483
Printing	2 231	2 034	2 231	2 035
Operating lease rental expenses	2 638	2 709	2 624	2 696
Bank charges, legal costs, insurance and taxes	3 463	2 891	3 412	2 876
General consumables	5 264	6 092	4 855	5 657
Other**	8 672	7 922	8 140	7 572
Total Other Expenses	109 372	98 266	107 316	96 378

* Included within external services for 2007 is an amount for consultants of \$1.887 million (\$1.905 million consolidated) exclusive of GST (\$1.938 million, \$1.938 million consolidated). This amount excludes consultant payments in relation to the capital works program.

** Net foreign exchange losses included in other expenses for 2007 were \$235 000 (\$235 000 consolidated), (\$26 000, \$26 000 consolidated).

16. Cash and Cash Equivalents

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	3 816	1 525	3 149	879
Deposits at call	74 117	70 954	72 549	68 925
Total Cash and Cash Equivalents	77 933	72 479	75 698	69 804

(a) Reconciliation to Cash at the End of the Year

Balances as above	77 933	72 479	75 698	69 804
Balance per Cash Flow Statement	77 933	72 479	75 698	69 804

(b) Cash at Bank and On Hand

As at 31 December 2007 the deposits earned 6.25 percent interest (5.75 percent) and the interest is credited to the University quarterly in March, June, September and December.

(c) Deposits at Call

During the year the cash deposits earned interest at a floating rate between 6.32 percent and 7.25 percent (between 5.58 percent and 6.35 percent). These deposits had an average maturity of 63 days.

17. Receivables

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade debtors	16 462	13 733	14 991	12 564
Less: Provision for impaired receivables	(590)	(1 057)	(590)	(1 057)
	15 872	12 676	14 401	11 507
Student fees	5 836	5 924	5 836	5 924
Less: Provision for impaired receivables	(1 708)	(1 708)	(1 708)	(1 708)
	4 128	4 216	4 128	4 216
Commonwealth receivable	3 356	4 877	3 356	4 877
Total Current Receivables	23 356	21 769	21 885	20 600

(a) Impaired Receivables

As at 31 December 2007 current trade receivables of the Group with a nominal value of \$557 000 (\$1.020 million) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past-due status and historical collection experience resulting in a further provision of \$33 000 (\$37 000). The total amount of the provision was \$590 000 (\$1.057 million).

The ageing of these receivables is as follows:

	Consolidated	
	2007	2006
	\$'000	\$'000
Less than three months	-	90
Three to six months	25	469
Over six months	565	498
	590	1 057

As at 31 December 2007, trade receivables of \$7.999 million (\$8.907 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 analysis of these receivables is as follows:

	Consolidated	
	2007	2006
	\$'000	\$'000
Less than three months	5 708	7 302
Three to six months	1 809	1 037
Over six months	482	568
	7 999	8 907

Movements in the Trade Debtors provision for impaired receivables are as follows:

	Consolidated	
	2007	2006
	\$'000	\$'000
At 1 January	1 057	538
Provision for impairment recognised during the year	388	950
Receivables written off during the year as uncollectable	(10)	(24)
Unused amount reversed and debts collected	(845)	(407)
At 31 December	590	1 057

Movements in the Student Fees provision for impaired receivables are as follows:

	Consolidated	
	2007	2006
	\$'000	\$'000
At 1 January	1 708	1 149
Provision for impairment recognised during the year	-	559
At 31 December	1 708	1 708

The creation and release of the provision for impaired receivables has been included in 'Bad and Doubtful Debts Expense' in the Income Statement. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

(b) Foreign Exchange and Interest Rate Risk

The carrying amount of the Group and the University's current receivables are denominated in Australian dollars.

(c) Fair Value and Credit Risk

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

18. Investments Accounted for using the Equity Method

With the exception of Unisure Pty Ltd the University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting and carried at cost by the University.

Refer to Note 34 for the accounting methodology adopted for Unisure Pty Ltd.

19. Other Financial Assets

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Workers Compensation Investment Fund	420	492	420	492

19. Other Financial Assets (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Available-for-sale	6 290	5 130	5 280	4 156
Investment in controlled entities	-	-	1 730	1 730
Workers Compensation Investment Fund	3 281	4 183	3 281	4 183
Total Non-Current Other Financial Assets	9 571	9 313	10 291	10 069
Total Other Financial Assets	9 991	9 805	10 711	10 561

20. Property, Plant and Equipment Consolidated

	Construction in Progress \$'000	Land \$'000	Freehold Buildings \$'000	Plant & Equipment \$'000	Leasehold Improvements \$'000
At 1 January 2006:					
Cost	17 360	830	10 322	35 345	2 469
Valuation	-	47 710	613 947	-	-
Accumulated depreciation	-	-	(270 061)	(21 089)	(360)
Net Book Amount	17 360	48 540	354 208	14 256	2 109
Year Ended 31 December 2006:					
Opening net book amount	17 360	48 540	354 208	14 256	2 109
Additions	34 338	-	118	7 588	-
Assets classified as held for sale and other disposals	-	-	(9)	(204)	-
Reclassification	(18 607)	-	17 233	462	912
Depreciation charge	-	-	(12 872)	(3 753)	(378)
Closing Net Book Amount	33 091	48 540	358 678	18 349	2 643
At 31 December 2006:					
Cost	33 091	830	27 664	40 088	3 231
Valuation	-	47 710	613 947	-	-
Accumulated depreciation	-	-	(282 933)	(21 739)	(588)
Net Book Amount	33 091	48 540	358 678	18 349	2 643
Year Ended 31 December 2007:					
Opening net book amount	33 091	48 540	358 678	18 349	2 643
Revaluation	-	39 200	31 003	-	-
Additions	28 939	-	4 961	7 523	-
Disposals	-	-	(1)	(72)	-
Reclassification	(51 151)	-	51 374	(234)	11
Depreciation charge	-	-	(13 732)	(5 063)	(410)
Closing Net Book Amount	10 879	87 740	432 283	20 503	2 244
At 31 December 2007:					
Cost	10 879	-	666	45 847	3 242
Valuation	-	87 740	798 226	-	-
Accumulated depreciation	-	-	(366 609)	(25 344)	(998)
Net Book Amount	10 879	87 740	432 283	20 503	2 244

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	Total \$'000
At 1 January 2006:				
Cost	5 101	-	-	71 427
Valuation	-	30 963	1 226	693 846
Accumulated depreciation	(2 811)	(15 057)	-	(309 378)
Net Book Amount	2 290	15 906	1 226	455 895
Year Ended 31 December 2006:				
Opening net book amount	2 290	15 906	1 226	455 895
Revaluation	-	922	-	922
Additions	-	2 445	-	44 489
Assets classified as held for sale and other disposals	(1)	-	(197)	(411)
Reclassifications	-	-	-	-
Depreciation charge	(1 103)	(2 505)	-	(20 611)
Closing Net Book Amount	1 186	16 768	1 029	480 284
At 31 December 2006:				
Cost	4 829	-	-	109 733
Valuation	-	32 621	1 029	695 307
Accumulated depreciation	(3 643)	(15 853)	-	(324 756)
Net Book Amount	1 186	16 768	1 029	480 284
Year Ended 31 December 2007:				
Opening net book amount	1 186	16 768	1 029	480 284
Revaluation	-	940	-	71 143
Additions	-	2 836	326	44 585
Disposals	(228)	(217)	-	(518)
Reclassification	-	-	-	-
Depreciation charge	(958)	(2 599)	-	(22 762)
Closing Net Book Amount	-	17 728	1 355	572 732

20. Property, Plant and Equipment (continued)
Consolidated

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	Total \$'000
At 31 December 2007:				
Cost	-	-	-	60 634
Valuation	-	34 625	1 355	921 946
Accumulated depreciation	-	(16 897)	-	(409 848)
Net Book Amount	-	17 728	1 355	572 732

University

	Construction in Progress \$'000	Land \$'000	Freehold Buildings \$'000	Plant and Equipment \$'000	Leasehold Improvements
At 1 January 2006:					
Cost	17 360	830	10 322	34 499	2 469
Valuation	-	47 710	613 650	-	-
Accumulated depreciation	-	-	(269 865)	(20 390)	(360)
Net Book Amount	17 360	48 540	354 107	14 109	2 109
Year Ended 31 December 2006:					
Opening net book amount	17 360	48 540	354 107	14 109	2 109
Revaluation	-	-	-	-	-
Additions	34 338	-	-	7 404	-
Assets classified as held for sale and other disposals	-	-	(8)	(190)	-
Reclassifications	(18 607)	-	17 233	462	912
Depreciation charge	-	-	(12 807)	(3 666)	(378)
Closing Net Book Amount	33 091	48 540	358 525	18 119	2 643
At 31 December 2006:					
Cost	33 091	830	27 547	39 072	3 231
Valuation	-	47 710	613 650	-	-
Accumulated depreciation	-	-	(282 672)	(20 953)	(588)
Net Book Amount	33 091	48 540	358 525	18 119	2 643
Year Ended 31 December 2007:					
Opening net book amount	33 091	48 540	358 525	18 119	2 643
Revaluation	-	39 200	31 003	-	-
Additions	28 939	-	4 926	7 347	-
Disposals	-	-	-	(71)	-
Reclassification	(51 151)	-	51 374	(234)	11
Depreciation charge	-	-	(13 659)	(4 943)	(410)
Closing Net Book Amount	10 879	87 740	432 169	20 218	2 244
At 31 December 2007:					
Cost	10 879	-	666	44 668	3 242
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(366 275)	(24 450)	(998)
Net Book Amount	10 879	87 740	432 169	20 218	2 244

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	Total \$'000
At 1 January 2006:				
Cost	5 101	-	-	70 581
Valuation	-	30 963	1 226	693 549
Accumulated depreciation	(2 811)	(15 057)	-	(308 483)
Net Book Amount	2 290	15 906	1 226	455 647
Year Ended 31 December 2006:				
Opening net book amount	2 290	15 906	1 226	455 647
Revaluation	-	922	-	922
Additions	-	2 445	-	44 187
Assets classified as held for sale and other disposals	(1)	-	(197)	(396)
Reclassifications	-	-	-	-
Depreciation charge	(1 103)	(2 505)	-	(20 459)
Closing Net Book Amount	1 186	16 768	1 029	479 901
At 31 December 2006:				
Cost	4 829	-	-	108 600
Valuation	-	32 621	1 029	695 010
Accumulated depreciation	(3 643)	(15 853)	-	(323 709)
Net Book Amount	1 186	16 768	1 029	479 901
Year Ended 31 December 2007:				
Opening net book amount	1 186	16 768	1 029	479 901
Revaluation	-	940	-	71 143
Additions	-	2 836	326	44 374
Disposals	(228)	(217)	-	(516)
Reclassification	-	-	-	-
Depreciation charge	(958)	(2 599)	-	(22 569)
Closing Net Book Amount	-	17 728	1 355	572 333

20. Property, Plant and Equipment (continued)

	Leased Plant & Equipment \$'000	Library \$'000	Art Collection \$'000	Total \$'000
At 31 December 2007:				
Cost	-	-	-	59 455
Valuation	-	34 625	1 355	921 498
Accumulated depreciation	-	(16 897)	-	(408 620)
Net Book Amount	-	17 728	1 355	572 333

21. Intangible Assets Consolidated

	Intangibles in Progress \$'000	Intangibles \$'000	Total \$'000
At 1 January 2006			
Cost	-	4 036	4 036
Accumulated amortisation	-	(2 707)	(2 707)
Net Book Amount	-	1 329	1 329

Year ended 31 December 2006:

Opening net book amount	-	1 329	1 329
Additions	-	62	62
Amortisation charge	-	(443)	(443)
Closing Net Book Amount	-	948	948

At 31 December 2006

Cost	-	4 098	4 098
Accumulated amortisation	-	(3 150)	(3 150)
Net Book Amount	-	948	948

Year ended 31 December 2007

Opening net book amount	-	948	948
Additions	1 921	200	2 121
Amortisation charge	-	(691)	(691)
Closing Net Book Amount	1 921	457	2 378

At 31 December 2007

Cost	1 921	4 298	6 219
Accumulated amortisation	-	(3 841)	(3 841)
Net Book Amount	1 921	457	2 378

University

	Intangibles in Progress \$'000	Intangibles \$'000	Total \$'000
At 1 January 2006			
Cost	-	4 036	4 036
Accumulated amortisation	-	(2 707)	(2 707)
Net Book Amount	-	1 329	1 329

Year ended 31 December 2006:

Opening net book amount	-	1 329	1 329
Additions	-	62	62
Amortisation charge	-	(443)	(443)
Closing Net Book Amount	-	948	948

At 31 December 2006

Cost	-	4 098	4 098
Accumulated amortisation	-	(3 150)	(3 150)
Net Book Amount	-	948	948

Year ended 31 December 2007

Opening net book amount	-	948	948
Additions	1 921	200	2 121
Amortisation charge	-	(691)	(691)
Closing Net Book Amount	1 921	457	2 378

At 31 December 2007

Cost	1 921	4 298	6 219
Accumulated amortisation	-	(3 841)	(3 841)
Net Book Amount	1 921	457	2 378

22. Other Non-Financial Assets

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Prepayments	5 564	4 825	5 547	4 800
Accrued income	1 786	2 052	1 786	2 052
Total Other Non-Financial Assets	7 350	6 877	7 333	6 852

23. Payables

Current:

Trade creditors	14 295	11 139	13 857	10 706
Accrued expenses	2 493	1 762	2 493	1 762
Annual leave on-costs	2 093	1 881	2 093	1 881
Long service leave on-costs	615	948	615	948
Total Current Payables	19 496	15 730	19 058	15 297

Non-Current:

Annual leave on-costs	1 008	836	1 008	836
Long service leave on-costs	2 910	2 375	2 910	2 375
Total Non-Current Payables	3 918	3 211	3 918	3 211
Total Payables	23 414	18 941	22 976	18 508

(a) Foreign Exchange and Interest Rate Risk

The carrying amount of the Group and the University's current payables are denominated in Australian dollars.

24. Borrowings

Current:

Secured:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Lease liabilities	-	1 005	-	1 005
Total Current Interest Bearing Liabilities	-	1 005	-	1 005

(a) Assets pledged as Security

The carrying amounts of assets pledged as security for interest bearing liabilities are:

Finance Lease:

Plant and equipment	-	1 186	-	1 186
Total Assets pledged as Security	-	1 186	-	1 186

(b) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit Standby Arrangements:

Total facilities:

Credit card facility with National Australia Bank (NAB)	5 000	5 000	5 000	5 000
Credit card facility with Amex	1 500	1 500	1 500	1 500
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2 000	2 000	2 000	2 000
IT lease facility with Commonwealth Bank	5 000	5 000	5 000	5 000
Bank guarantee	5 100	5 100	5 100	5 100
	18 800	18 800	18 800	18 800

Used at balance date:

Credit card facility with NAB	870	757	870	757
Credit card facility with Amex	202	-	202	-
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	21	72	21	72
Bank guarantee	3 619	3 719	3 619	3 719
	4 712	4 548	4 712	4 548

Unused at balance date:

Credit card facility with NAB	4 130	4 243	4 130	4 253
Credit card facility with Amex	1 298	1 500	1 298	1 500
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2 000	2 000	2 000	2 000
IT lease facility with Commonwealth Bank	4 979	4 928	4 979	4 928
Bank guarantee	1 481	1 381	1 481	1 381
	14 088	14 252	14 088	14 262

Bank Loan Facilities:

NAB facilities	35 000	35 000	35 000	35 000
Total Facilities	35 000	35 000	35 000	35 000
Used at balance date	-	-	-	-
Unused at Balance Date	35 000	35 000	35 000	35 000

25. Provisions

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current:				
Annual leave	9 220	8 138	9 056	7 974
Long service leave	5 277	7 664	5 101	7 485
Separation scheme	1 384	273	1 384	273
Workers compensation liability	598	613	598	613
Total Current Provisions	16 479	16 688	16 139	16 345
Non-Current:				
Annual leave	4 362	3 542	4 362	3 542
Long service leave	22 420	18 773	22 420	18 773
Workers compensation liability	1 595	1 618	1 595	1 618
Total Non-current Provisions	28 377	23 933	28 377	23 933
Total Provisions	44 856	40 621	44 516	40 278

Movements in the workers compensation liability is set out below:

Workers Compensation Liability:

Current:

Carrying amount at 1 January	613	574	613	574
Movement in provision based upon actuarial assessment	(15)	39	(15)	39
Carrying Amount at 31 December	598	613	598	613

Non-current:

Carrying amount at 1 January	1 618	1 482	1 618	1 482
Movement in provision based upon actuarial assessment	(23)	136	(23)	136
Carrying Amount at 31 December	1 595	1 618	1 595	1 618

26. Other Liabilities

Other	570	702	792	907
Funds held on behalf of external entities	1 605	3 511	1 605	3 511
	2 175	4 213	2 397	4 418
Income in advance on incomplete projects	2 479	2 075	2 479	2 075
Other income in advance:				
Fees and charges	8 242	8 973	8 242	8 973
Commonwealth and State Government grants	9 808	9 186	9 808	9 186
	18 050	18 159	18 050	18 159
Total Other Liabilities	22 704	24 447	22 926	24 652

27. Reserves and Retained Surplus**(a) Reserves**

Property, plant and equipment revaluation reserve:

Land and buildings	124 494	54 291	124 494	54 291
Art collection	294	294	294	294
Library	1 609	669	1 609	669
	126 397	55 254	126 397	55 254

Available-for-sale investments revaluation reserve

	1 586	1 132	1 586	1 132
Total Reserves	127 983	56 386	127 983	56 386

Movements in Reserves

Property, plant and equipment revaluation reserve:

Land and buildings:				
Opening balance	54 291	54 291	54 291	54 291
Asset revaluation increment	70 203	-	70 203	-
	124 494	54 291	124 494	54 291

Art collection:

Opening balance	294	294	294	294
Asset revaluation decrement	-	-	-	-
	294	294	294	294

Library:

Opening balance	669	-	669	-
Asset revaluation increment	940	669	940	669
	1 609	669	1 609	669

Total Property, Plant and Equipment Revaluation Reserve

	126 397	55 254	126 397	55 254
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(a) Reserves (continued)

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Available-for-sale investments revaluation reserve:				
Opening Balance	1 132	895	1 132	895
Assets revaluation increment	454	237	454	237
Closing Balance	1 586	1 132	1 586	1 132

(b) Retained Surplus

Movement in retained surplus were as follows:

Retained surplus at 1 January	449 767	419 227	446 842	416 762
Operating result for the year	24 384	30 540	24 463	30 080
Retained Surplus at 31 December	474 151	449 767	471 305	446 842

(c) Nature and Purpose of Reserves

The University has four reserves. The land and buildings reserve records revaluations in land and buildings, the available-for-sale investments reserve records revaluations in investments, the library revaluation reserve records revaluations in the library collection and the art collection revaluation reserve records revaluations in the art collection.

28. Responsible Persons and Executive Officers**(a) Names of Responsible Persons**

The following persons were responsible persons of the University during the 2007 year. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

2007 Council Members

Mr David Klingberg, AM, Chancellor
 Professor Peter Høj, Vice Chancellor* (commenced June 2007)
 Ms Alice McCleary, Deputy Chancellor
 Ms Dhivya Benugopal (term commenced February 2007, resigned July 2007)
 Professor Denise Bradley, AC* (resigned May 2007)
 Mr William Cossey, AM
 Associate Professor Ingrid Day* (term commenced January 2007)
 Mr Terry Evans
 Ms Kath Higgins*
 Ms Kerryne Liddle (resigned January 2008)
 Mr Bruce Linn
 Dr Adele Lloyd
 Ms Jan Lowe
 Mr Finn McCarthy-Adams (term commenced February 2007, term expired 31 December 2007)
 Mr Jim McDowell (term commenced April 2007)
 Mr Ian McLachlan
 Ms Heather Ryland* (term expired 31 December 2007)
 Ms Anne Skipper, AM (term commenced April 2007)
 Mr Peter Smith, Pro Chancellor
 Dr Sue Vardon, AO
 Dr Michael Venning*
 Associate Professor Adrian Vicary*

(b) Remuneration of Council Members and Executive Officers*Remuneration of Council Members*

No member of Council received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship. Directors of Subsidiary companies received remuneration for their services as Director.

	Consolidated		University	
	2007	2006	2007	2006
	Number	Number	Number	Number
<i>Remuneration of Directors of Subsidiary Companies</i>				
\$10 000 - \$19 999	-	1	-	-
\$20 000 - \$29 999	1	-	-	-
\$30 000 - \$39 999	-	1	-	-
\$40 000 - \$49 999	1	-	-	-
	2	2	-	-

The total remuneration received and receivable by those Directors was \$65 000 (\$54 167).

(b) Remuneration of Council Members and Executive Officers (continued)

	Consolidated		University	
	2007	2006	2007	2006
<i>Remuneration of Executive Officers</i>	Number	Number	Number	Number
\$140 000 - \$149 999	1	-	1	-
\$150 000 - \$159 999	-	1	-	1
\$190 000 - \$199 999	-	1	-	1
\$220 000 - \$229 999	-	1	-	1
\$230 000 - \$239 999	-	1	-	1
\$240 000 - \$249 999	2	-	2	-
\$250 000 - \$259 999	1	2	1	2
\$260 000 - \$269 999	1	-	1	-
\$270 000 - \$279 999	3	2	3	2
\$280 000 - \$289 999	-	1	-	1
\$300 000 - \$309 999	1	-	1	-
\$310 000 - \$319 999	-	1	-	1
\$330 000 - \$339 999	2	-	2	-
\$490 000 - \$499 999	-	1	-	1
	11	11	11	11

Executives are defined as the Vice Chancellor and President and those staff in a senior line position who report directly to that position. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive Officers' Compensation

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	2 520	2 412	2 520	2 412
Post-employment benefits	395	403	395	403
Other long-term benefits	443	109	443	109
Termination benefits	-	160	-	160
	3 358	3 084	3 358	3 084

(d) Related Party Transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

29. Remuneration of Auditors

During the year the following fees were paid for services provided by the auditor of the University of South Australia, its related practices and non-related audit firms:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>Assurance Services</i>				
<i>Audit Services</i>				
Fees paid to the Auditor-General's Department:				
Auditing the financial report	210	222	210	211
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the consolidated entity	12	15	-	-
	222	237	210	211

30. Contingent Liabilities

The University entered into an agreement with the Minister of the then Department of Education, Training and Employment (DETAPE) on 20 February 1997 to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of \$680 000 is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2007 this contingent liability reduced to \$534 000.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

31. Commitments for Expenditure**(a) Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment payable:				
Within one year	24 012	9 710	24 012	9 710
Later than one year but not later than five years	-	200	-	200
	24 012	9 910	24 012	9 910

(b) Lease Commitments**(i) Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Income Statement on a straight-line basis over the period of the lease.

Commitments in relation to leases contracted for at the reporting date, but not recognised as liabilities (ie operating leases), are payable as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Within one year	3 292	3 742	3 292	3 742
Later than one year but not later than five years	5 662	7 162	5 662	7 162
Later than five years	543	1 550	543	1 550
	9 497	12 454	9 497	12 454

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between 1 and 10 years.

(ii) Finance Leases

Commitments in relation to finance leases are payable as follows:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Within one year	-	1 324	-	1 324
Minimum lease payments	-	1 324	-	1 324
Future finance charges	-	(319)	-	(319)
Total Lease Liabilities	-	1 005	-	1 005
Representing lease liabilities:				
Current	-	1 005	-	1 005
Total Lease Liabilities	-	1 005	-	1 005

The weighted average interest rate implicit in the finance leases in 2006 was 6.81 percent.

(c) Other Expenditure Commitments

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Within one year	5 435	7 276	5 435	7 276
Later than one year but not later than five years	12 857	16 139	12 857	16 139
Later than five years	220	474	220	474
Total Other Expenditure Commitments	18 512	23 889	18 512	23 889

32. Superannuation Plans

The University contributes to the following employee superannuation funds:

(a) South Australian Superannuation Fund (Super SA)

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed (the Assessment) by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2007 to be \$326 million (\$330.9 million). The assessment took into account the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2007. This was performed by LC Brett, FIA, FIAA, of Brett and Watson Pty Ltd.

(a) South Australian Superannuation Fund (Super SA) (continued)

The University's liability under the schemes has been partly funded by an amount of \$26.1 million (\$22.3 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$299.9 million (\$308.6 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the Assessment.

Recognition of the receivable from the Commonwealth is in accordance with 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:

	2007 Percent per Annum	2006 Percent per Annum
Rate of increase in the Consumer Price Index (CPI)	3.0	2.5
Rate of salary increases	4.5	4.0
Investment earnings	8.0	7.5

These assumptions have changed as a result of the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2007.

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.

(b) Deferred Government Superannuation Contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 2007 an amount of \$8.7 million was brought to account (both as revenue and as expense) to reflect the decrease in the net unfunded past service cost for State Superannuation (nil).

	2007 \$'000	2006 \$'000
Deferred Government superannuation contribution at 1 January	308 600	308 600
Increase in amount owing for unfunded liability	(8 700)	-
Deferred Government Superannuation Contribution at 31 December	299 900	308 600
Comprising:		
Current asset	24 600	26 200
Non-current asset	275 300	282 400
	299 900	308 600

(c) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Division (DBD)

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made 4 years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

Clause 34 now states that where the Trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits on a fair and equitable basis. As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2007 the assets of the DBD in aggregate (ie entire multiemployer DBD plan) were estimated to be:

- \$1683 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBD.

(i) *UniSuper Defined Benefit Division (DBD) (continued)*

- \$2587 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBD as at 31 December 2005. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% per annum	8.3% per annum
Net of tax investment return	6.5% per annum	7.8% per annum
Consumer Price Index	2.5% per annum	2.5% per annum
Inflationary salary increases long term	3.5% per annum	3.5% per annum
Inflationary salary increases next two years	5.0% per annum	5.0% per annum

Additional promotional salary increases are assumed to apply based on past experience. Assets have been included at their net market value, ie allowing for realisation costs.

(ii) *UniSuper Accumulation Super 2 (Accum 2)*

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to the Accum 2. Contributions made by both the employee and employer remain unchanged.

(iii) *UniSuper Accumulation Super 1 (Accum 1)*

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee (SG) and Award obligations. 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 has recognised an expense of \$16.371 million (\$14.472 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$7.865 million (\$7.001 million) in respect of Accum 1.

33. Subsidiaries

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).

Name of Entity	Country of Incorporation	Ownership Interest	
		2007	2006
		Percent	Percent
(a) ITEK Pty Ltd	Australia	100	100
(b) University of South Australia Foundation Incorporated	Australia	100	100

(a) *ITEK Pty Ltd (ITEK)*

ITEK Pty Ltd was formed on 1 July 1999 and since this time has had a year end date of 30 June. ITEK Pty Ltd is trustee for the ITEK trust and has a 100 percent controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) *University of South Australia Foundation Incorporated (Foundation)*

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2007. This company will remain legally intact indefinitely to ensure that any future donations, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

The Foundation's purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating philanthropic support for the benefit of the University.

34. Investments in Associates

The University has an interest in Unisure Pty Ltd and SABRENet Ltd as described below:

(a) *Unisure Pty Ltd (Unisure)*

The University is a shareholder along with The University of Adelaide and The Flinders University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. The University's interest (33.3 percent) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investment in the Associate has not been accounted for using the equity method as per the AASB 128 however, consistent with prior years, it has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the University.

(a) Unisure Pty Ltd (Unisure) (continued)

Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers compensation liabilities and the associated investment funds. As at 31 December 2007 the Unit Trust held net assets of \$1.508 million on behalf of the University of South Australia (\$2.444 million).

(b) SABRENet Ltd (SABRENet)

SABRENet Ltd was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the Australian Tax Office as a tax exempt entity. The founding members are the three South Australian Universities and the South Australia Government.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$250 000 to SABRENet which has been recognised as an expense in the year payment was made.

Each of the above associates is incorporated in Australia.

Carrying Amounts

Information relating to associates is set out below:

Entity	Principal Activity	Ownership Interest		Consolidated Carrying Amount		University Carrying Amount	
		2007 percent	2006 percent	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Unisure Pty Ltd*	Manages workers compensation claims on behalf of the University	33	33	1 508	2 444	1 508	2 444

* As discussed above the University's investment in Unisure is proportionately consolidated within the University and Consolidated Entity. Therefore the carrying amount denoted here represents the net assets carried within the accounts.

		Consolidated	
		2007 \$'000	2006 \$'000
Movements in Carrying Amounts			
Carrying amount at 1 January		2 444	3 130
Share of profits (losses)		(936)	(686)
Carrying Amount at 31 December		1 508	2 444

Summarised Financial Information of Associates

	Consolidated Entity's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit (Loss) \$'000
2007				
Unisure Pty Ltd	3 701	2 193	579	(936)
2006				
Unisure Pty Ltd	4 675	2 231	800	(686)

35. Interests in Joint Ventures**(a) Joint Venture Operations**

The University's interests in joint venture operations are as follows:

Entity	Reporting Date	Output Interest	
		2007 Percent	2006 Percent
(i) Mawson Centre Building	31 December	63	63
(ii) SPRI (Building)	30 June	30	30
(iii) SAPAC	31 December	23.08	20
(iv) ANFF	30 June	-	-

(i) Mawson Centre Building

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop, construct and eventually operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63 percent share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19 percent share and DECS holding an 18 percent share.

In 2007 the building was independently re-valued and the University's 63 percent share of the asset's carrying amount as at 31 December 2007 is \$6.8 million (\$6.1 million) which is included in Buildings.

(ii) *Signal Processing Research Institute (SPRI) Building*

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share. In 2007 the building was independently re-valued and the University's 30 percent share of the asset's carrying amount as at 31 December 2007 is \$2.327 million (\$1.838 million) which is included in Buildings.

The University's share of this joint venture's operations has not been included in the consolidated report due to them being immaterial to the University's activities.

(iii) *South Australian Partnership for Advanced Computing (SAPAC)*

SAPAC is an unincorporated joint venture of the three South Australian universities and its mission is to act as a point of focus for the support of advanced, high-performance and grid computing in Australia. The University's 23.08 percent share of this joint venture has not been included in the consolidated report due to them being immaterial to the University's activities.

(iv) *South Australian node of the Australia National Fabrication Facility (ANFF)*

Established in 2007, under the National Collaborative Research Infrastructure Strategy, the ANFF links seven university-based nodes to provide researchers and industry with access to state-of-the-art fabrication facilities. Each node offers a specific area of expertise including advanced materials, nanoelectronics and photonics and bio nano applications. No contributions were made to ANFF during the year so no formal ownership interest has been established.

(b) *Joint Venture Entities*

The University has an interest in a number of joint venture entities as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per the AASB 131.

Entity	Reporting Date	Ownership Interest	
		2007 Percent	2006 Percent
(i) ACCA	30 June	20.00	20.00
(ii) CIEAM	30 June	10.74	10.74
(iii) CRCIF	30 June	2.95	2.95
(iv) CRCIMST	30 June	-	8.00
(v) Rail CRC	30 June	8.30	8.30
(vi) CRCSS	30 June	-	24.00
(vii) CRCST Pty Ltd	30 June	5.00	5.00
(viii) CSSIP	30 June	-	5.20
(ix) CWQT	30 June	5.13	5.13
(x) DK-CRC	30 June	4.60	4.60
(xi) SACITT	31 December	33.33	33.33
(xii) SGRHS	31 December	50.00	50.00
(xiii) SATAC	30 June	25.00	25.00
(xiv) Auto CRC	30 June	8.09	8.09
(xv) CRC CARE	30 June	4.00	4.00
(xvi) CRC Polymers	30 June	1.85	1.85
(xvii) CRC for Rail Innovation	30 June	5.00	-
(xviii) Australian Seafood CRC	30 June	3.00	-
(xix) Australian Synchrotron	30 June	1.00	-

(i) *ACCA – Australian Centre for Community Ageing*

ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected Research Centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members with an aim of applying outcomes of quality research in ageing issues into practical solutions for older people, as well as informing those who supply older people with goods and services.

(ii) *CIEAM - Co-operative Research Centre for Integrated Engineering Asset Management*

The CIEAM is a national co-operative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life-cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.

- (iii) *CRCIF - Co-operative Research Centre for Irrigation Futures*
The CRCIF is a national co-operative research centre. Its goals are to double profitability and halve water use of Australian irrigation. It also intends to define and promote sustainable irrigation areas and practices.
- (iv) *CRCIMST - Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies*
The CRCIMST is a national co-operative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing. CRCIMST ceased operations in 2006.
- (v) *Rail CRC - Co-operative Research Centre for Railway Engineering and Technologies*
Rail CRC is a collaborative venture between leading organizations in the Australian rail industry and Australian Universities; and it is supported by the Commonwealth Government. It is a national co-operative research centre with a purpose to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.
- (vi) *CRCSS - Co-operative Research Centre for Satellite Systems*
The CRCSS is a national co-operative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites. CRCSS ceased operations in 2006.
- (vii) *CRCST Pty Ltd - Co-operative Research Centre for Sustainable Tourism Pty Ltd*
The CRCST is a national co-operative research centre with a focus on delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.
- (viii) *CSSIP – Co-operative Research Centre for Sensor Signal and Information Processing*
The CSSIP is a national co-operative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors. CSSIP ceased operations in 2006.
- (ix) *CWQT - Centre for Water Quality and Treatment*
The CWQT is a national co-operative research centre, providing a national strategic research capacity for the Australian water industry. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.
- (x) *DK-CRC - Desert Knowledge Co-operative Research Centre*
The DK-CRC is a national co-operative research centre and brokerage institution that links researchers with 27 partners. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on Desert Knowledge, and creating the networks to market this knowledge in other desert lands.
- (xi) *SACITT - South Australian Consortium for Information Technology and Telecommunications*
SACITT brings together the three universities of SA and is supported by an Advisory Board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australia industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors Committee.
- (xii) *SGRHS - Spencer Gulf Rural Health School (formerly SACRRH – South Australian Centre for Rural and Remote Health)*
The Spencer Gulf Rural Health School (SGRHS) is a regional multi-disciplinary school of health science created as a joint initiative of the University of Adelaide and the University of South Australia, supported by the Commonwealth Government. It is located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.
- (xiii) *SATAC - South Australian Tertiary Admissions Centre*
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 the TAFE SA, Charles Darwin University and the three universities in South Australia.
- (xiv) *Auto CRC - CRC for Advanced Automotive Technologies*
The Cooperative Research Centre for Advanced Automotive Technology (AutoCRC) was created in December 2005, as part of a national strategy to secure Australia's position in the global automotive industry. AutoCRC aims to deliver outcomes that will directly enhance the viability and sustainability of the Australian automotive industry, its capability to export and its productivity. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.

(xv) *CRC CARE - Contamination Assessment and Remediation of the Environment*

CRC CARE was established under the Federal Government's CRC Program in 2005 to bring together Australia's foremost expertise in science, industry and government.

CRC CARE is a research and development organization providing cutting edge technologies and knowledge in assessing, preventing and remediating contamination of soil, water and air.

(xvi) *CRC Polymers - Co-operative Research Centre for Polymers*

The CRC for Polymers conducts leading-edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high-growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design. The Centre is an incorporated joint venture between organisations that include companies, universities and government research laboratories.

(xvii) *CRC for Rail Innovation - Co-operative Research for Rail Innovation*

The CRC for Rail Innovation commenced 1 July 2007 and is a collaborative joint venture between leading organisations in the Australian rail industry and Australian Universities and is supported by the Commonwealth Government. It seeks to build on the successful collaborative arrangements and approaches from the former Rail CRC by meeting growing transport needs identified by both the rail industry and researchers.

(xviii) *Australian Seafood CRC - Australian Seafood Co-operative Research Centre*

The Australian Seafood CRC has a vision to assist the seafood industry to profitably deliver safe, high quality and nutritious Australian seafood products to premium domestic and overseas markets. It aims to stimulate and provide comprehensive seafood related research and development and industry leadership on a national basis to address institutional and market failure in many of the Australian seafood industry's value chains. The CRC will undertake research programmes covering value chain profitability and product quality and integrity.

(xix) *Australian Synchrotron (via the SA/La Trobe Consortium)*

The Australian Synchrotron is a joint venture entity funded by the Victorian State Government and various funding partners, one of which is The University of South Australia, a founding member as part of the South Australia/La Trobe University consortium. The Australian Synchrotron was established with an initial subscription of \$150 million and is an essential tool for new science providing world leading technical capability to serve universities, research organisations and industry. The facility promotes the international collaboration for important to leading-edge R&D, and is a hub for research that will greatly benefit Australia and our regional neighbours.

36. Events Occurring after the Balance Sheet Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the Consolidated Entity, the results of operations, or the state of affairs of the Consolidated Entity in future periods.

37. Reconciliation of Operating Result after Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		University	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Operating result for the year	24 384	30 540	24 463	30 080
Add (Less): Items classified as investing activities:				
Loss (Profit) on sale of plant and equipment	399	318	397	304
Add (Less): Non-cash items:				
Depreciation and amortisation	23 453	21 054	23 260	20 902
Non-cash donations	(378)	(442)	(378)	(442)
Capital assets	(630)	1 540	(729)	1 254
Non-cash investments	-	252	-	252
Interest rate swap	-	(509)	-	(509)
Available-for-sale asset revaluation	-	245	-	390
Change in assets and liabilities:				
(Increase) in receivables	(1 587)	(1 065)	(1 285)	(1 077)
(Increase) Decrease in other assets	501	(2 898)	493	(2 885)
(Decrease) Increase in payables	4 473	(2 462)	4 468	(2 520)
Increase in provisions	4 235	1 961	4 238	1 943
Increase (Decrease) in other liabilities	(2 106)	5 074	(2 089)	5 024
Net Cash provided by Operating Activities	52 744	53 608	52 838	52 716

38. Non-Cash Investing and Financing Activities

Donations of works of art and library materials	378	442	378	442
	378	442	378	442

39. Assets and Liabilities of Trusts for which the University is Trustee

The University was trustee or custodian for the following trusts during the year:

Aborigines Advancement League
Constance Gordon-Johnson Fund
Davy Scholarship
Don Hawke Memorial Scholarship
Donald Dyer Scholarship
Gladys Elphick Memorial Scholarship
Lydia Longmore Memorial Fund
PW Stephens Engineering Prize
Sansom Pharmacy Fund
William T Southcott Scholarship
Bob Hawke Prime Ministerial Centre.

40. Financial Risk Management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The University currently does not hold any derivative instruments.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice with respect to managing the market risk of its investments.

Risk management is co-ordinated by the University under policies approved by Council. The University identifies, evaluates financial risks in close co operation with the University's operating units.

(a) Market Risk

(i) Foreign Exchange Risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2007 the University held US\$32 000 (A\$36 000) (US\$277 000 (A\$350 000)) and MYR209 000 (A\$72 000) - Malaysian Ringgit (MYR170 000 (A\$61 000)) in offshore bank accounts. During 2007 the University did not enter into any hedging contracts to mitigate foreign exchange risk as transactions in foreign currencies are partially offset by natural hedging arrangements. Currency conversion gains and losses are included in the operating result for the year.

(ii) Cash Flow and Fair Value Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The above \$35 million bill facility with the NAB is at a floating rate of interest.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

(iii) Risk Associated with Available-for-Sale Assets

Investments mainly comprise investments in listed entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time, however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the short to medium term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are rarely used. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the Balance Sheet is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

(c) Liquidity Risk

The University maintains a \$35 million bill facility with the NAB which has a drawdown facility, available to 31 December 2016. As at 31 December 2007 this facility has not been drawn down.

(d) Fair Value Estimation

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values.

41. Acquittal of Commonwealth Government Financial Assistance

41 (a) <i>Commonwealth Grants Scheme and Other Grants</i>	Commonwealth Grants Scheme		Indigenous Support Fund		Equity Programmes	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	116 463	109 376	1 081	871	674	694
Net accrual adjustments	721	150	-	-	-	-
Revenue for the Period	117 184	109 526	1 081	871	674	694
Surplus (Deficit) from the previous year	-	-	-	-	461	388
Total Revenue Including Accrued Revenue	117 184	109 526	1 081	871	1 135	1 082
Less expenses including accrued expenses	(117 184)	(109 526)	(1 081)	(871)	(707)	(621)
Surplus (Deficit) for Reporting Period	-	-	-	-	428	461
	Workplace Reform Programme		Workplace Productivity Programme		Capital Development Pool	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	1 576	1 511	-	412	318	2 874
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	1 576	1 511	-	412	318	2 874
Surplus (Deficit) from the previous year	-	-	412	-	-	-
Total Revenue Including Accrued Revenue	1 576	1 511	412	412	318	2 874
Less expenses including accrued expenses	(1 576)	(1 511)	(302)	-	(318)	(2 874)
Surplus (Deficit) for Reporting Period	-	-	110	412	-	-
	Superannuation		Collaboration & Structural Reform		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	24 070	23 101	1 141	1 756	145 323	140 595
Net accrual adjustments	(1 996)	(430)	-	-	(1 275)	(280)
Revenue for the Period	22 074	22 671	1 141	1 756	144 048	140 315
Surplus (Deficit) from the previous year	-	-	2 783	2 061	3 656	2 449
Total Revenue Including Accrued Revenue	22 074	22 671	3 924	3 817	147 704	142 764
Less expenses including accrued expenses	(22 074)	(22 671)	(1 489)	(1 034)	(144 731)	(139 108)
Surplus (Deficit) for Reporting Period	-	-	2 435	2 783	2 973	3 656
41 (b) <i>HECS and other Commonwealth Loan Programmes</i>						
	HECS-HELP		FEE-HELP			
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000		
Financial assistance received in cash during reporting period	68 164	59 423	4 516	3 587		
Net accrual adjustments	(12)	4 930	11	(139)		
Revenue for the Period	68 152	64 353	4 527	3 448		
Surplus (Deficit) from the previous year	-	-	-	-		
Total Revenue Including Accrued Revenue	68 152	64 353	4 527	3 448		
Less expenses including accrued expenses	(68 152)	(64 353)	(4 527)	(3 448)		
Surplus (Deficit) for Reporting Period	-	-	-	-		

41 (b) HECS and other**Commonwealth Loan****Programmes (continued)**

Financial assistance received in cash during reporting period

Net accrual adjustments

Revenue for the Period

Surplus (Deficit) from the previous year

Total Revenue Including Accrued Revenue

Less expenses including accrued expenses

Surplus (Deficit) for Reporting Period

Total		OS-HELP	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000
72 680	63 010	196	(249)
(1)	4 791	3	500
72 679	67 801	199	251
-	-	-	-
72 679	67 801	199	251
(72 679)	(67 801)	(199)	(251)
-	-	-	-

41 (c) Scholarships**Australian Postgraduate Award****International Postgraduate Research Scholarships****Commonwealth Education Costs Scholarships**

Financial assistance received in cash during reporting period

Net accrual adjustments

Revenue for the Period

Surplus (Deficit) from the previous year

Total Revenue Including Accrued Revenue

Less expenses including accrued expenses

Surplus (Deficit) for Reporting Period

Australian Postgraduate Award		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships	
2007	2006	2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 748	1 660	346	222	1 615	1 123
-	-	-	-	-	-
1 748	1 660	346	222	1 615	1 123
494	341	-	38	267	66
2 242	2 001	346	260	1 882	1 189
(1 586)	(1 507)	(346)	(260)	(1 882)	(922)
656	494	-	-	-	267

Commonwealth Accommodation Scholarships**Indigenous Staff Scholarships****Total**

Financial assistance received in cash during reporting period

Net accrual adjustments

Revenue for the Period

Surplus (Deficit) from the previous year

Total Revenue Including Accrued Revenue

Less expenses including accrued expenses

Surplus (Deficit) for Reporting Period

Commonwealth Accommodation Scholarships		Indigenous Staff Scholarships		Total	
2007	2006	2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2 027	1 473	(6)	-	5 730	4 478
-	-	-	-	-	-
2 027	1 473	(6)	-	5 730	4 478
360	77	6	6	1 127	528
2 387	1 550	-	6	6 857	5 006
(2 192)	(1 190)	-	-	(6 006)	(3 879)
195	360	-	6	851	1 127

41 (d) DEEWR - Research**Institutional Grants Scheme****Research Training Scheme****Research Infrastructure Block Grants**

Financial assistance received in cash during reporting period

Net accrual adjustments

Revenue for the Period

Surplus (Deficit) from the previous year

Total Revenue Including Accrued Revenue

Less expenses including accrued expenses

Surplus (Deficit) for Reporting Period

Institutional Grants Scheme		Research Training Scheme		Research Infrastructure Block Grants	
2007	2006	2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
4 998	4 773	9 280	8 544	1 870	1 655
-	-	-	-	-	-
4 998	4 773	9 280	8 544	1 870	1 655
-	-	-	-	-	-
4 998	4 773	9 280	8 544	1 870	1 655
(4 998)	(4 773)	(9 280)	(8 544)	(1 870)	(1 655)
-	-	-	-	-	-

41 (d) DEEWR - Research
(continued)

	Implementation Assistance Program		Australian Scheme for Higher Education Repositories		Commercialisation Training Scheme	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	59	-	116	-	98	-
Net accrual adjustments	-	-	-	-	-	-
Revenue for the Period	59	-	116	-	98	-
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total Revenue Including Accrued Revenue	59	-	116	-	98	-
Less expenses including accrued expenses	(59)	-	(116)	-	(94)	-
Surplus (Deficit) for Reporting Period	-	-	-	-	4	-
					Total	
					2007	2006
					\$'000	\$'000
Financial assistance received in cash during reporting period					16 421	14 972
Net accrual adjustments					-	-
Revenue for the Period					16 421	14 972
Surplus (Deficit) from the previous year					-	-
Total Revenue Including Accrued Revenue					16 421	14 972
Less expenses including accrued expenses					(16 417)	(14 972)
Surplus (Deficit) for Reporting Period					4	-

41 (e) Voluntary Student Unionism

	VSU Transition Fund		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	330	-	330	-
Net accrual adjustments	-	-	-	-
Revenue for the Period	330	-	330	-
Surplus (Deficit) from the previous year	-	-	-	-
Total Revenue Including Accrued Revenue	330	-	330	-
Less expenses including accrued expenses	(324)	-	(324)	-
Surplus (Deficit) for Reporting Period	6	-	6	-

41 (f) Australian Research Council Grants

	Projects		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(i) Discovery				
Financial assistance received in cash during reporting period	2 582	2 678	2 582	2 678
Net accrual adjustments:				
Movement in accrued income	(326)	56	(326)	56
Movement in deferred income	(137)	(243)	(137)	(243)
Revenue for the Period	2 119	2 491	2 119	2 491
Movement in deferred income	137	243	137	243
Surplus (Deficit) from the previous year	1 599	1 356	1 599	1 356
Total Revenue Including Accrued Revenue	3 855	4 090	3 855	4 090
Less expenses including accrued expenses	(2 119)	(2 491)	(2 119)	(2 491)
Surplus (Deficit) for Reporting Period	1 736	1 599	1 736	1 599

(ii) Linkages

	Special Research Initiatives		Infrastructure		International	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	-	-	150	-	103	119
Net accrual adjustments:						
Movement in accrued income	-	-	-	-	-	-
Movement in deferred income	-	-	(41)	-	22	(3)
Revenue for the Period	-	-	109	-	125	116
Movement in deferred income	-	-	41	-	(22)	3
Surplus (Deficit) from the previous year	-	-	-	-	161	158
Total Revenue Including Accrued Revenue	-	-	150	-	264	277
Less expenses including accrued expenses	-	-	(109)	-	(126)	(116)
Surplus (Deficit) for Reporting Period	-	-	41	-	138	161

	Projects		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	5 735	5 679	5 988	5 798
Net accrual adjustments:				
Movement in accrued income	(996)	(690)	(996)	(690)
Movement in deferred income	509	(965)	490	(968)
Revenue for the Period	5 248	4 024	5 482	4 140
Movement in deferred income	(509)	965	(490)	968
Surplus (Deficit) from the previous year	2 902	1 937	3 063	2 095
Total Revenue Including Accrued Revenue	7 641	6 926	8 055	7 203
Less expenses including accrued expenses	(5 248)	(4 024)	(5 483)	(4 140)
Surplus (Deficit) for Reporting Period	2 393	2 902	2 572	3 063

(iii) Networks and Centres

	Research Networks		Centres		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assistance received in cash during reporting period	318	312	778	762	1 096	1 074
Net accrual adjustments:						
Movement in accrued income	-	20	-	-	-	20
Movement in deferred income	16	(18)	40	(30)	56	(48)
Revenue for the Period	334	314	818	732	1 152	1 046
Movement in deferred income	(16)	18	(40)	30	(56)	48
Surplus (Deficit) from the previous year	246	228	161	131	407	359
Total Revenue Including Accrued Revenue	564	560	939	893	1 503	1 453
Less expenses including accrued expenses	(334)	(314)	(818)	(732)	(1 152)	(1 046)
Surplus (Deficit) for Reporting Period	230	246	121	161	351	407

DEPARTMENT OF WATER, LAND AND BIODIVERSITY CONSERVATION

FUNCTIONAL RESPONSIBILITY

Establishment

The Department of Water, Land and Biodiversity Conservation (DWLBC) is an administrative unit established pursuant to the PSM Act.

Functions

The objective of DWLBC is to improve sustainability through the integration and management of all of the State's natural resources and to achieve improved health and productivity of our biodiversity, water, land and marine resources.

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

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

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

Scope of Audit

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

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

- expenditure including accounts payable, grants and subsidies and payments to Natural Resource Management (NRM) Boards
- payroll
- revenue including fees and charges, water licensing and grant revenue
- fixed assets
- general ledger
- corporate governance
- budgetary control
- project management
- NRM Fund.

In undertaking its operations for the 2007-08 financial year, DWLBC utilised a number of financial systems of the Department of Treasury and Finance (DTF). In conducting audit work, consideration was given to control processes performed in these outsourced arrangements.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

Assessment of Controls

In my opinion, the controls exercised by the Department of Water, Land and Biodiversity Conservation 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 control environment, corporate governance, water licensing, expenditure, payroll and reconciliations, as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Water, Land and Biodiversity Conservation 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. The response to the management letter was generally considered to be satisfactory. The main matters raised with DWLBC and the related responses follow.

Control Environment

Audit has for a number of years reported on the need for DWLBC to address weaknesses across many areas of DWLBC's control environment including both transactional and higher level monitoring controls. In response to the concerns raised by Audit DWLBC commenced a process in 2006 to establish a Financial Management Framework (FMF). While some progress was made in developing and implementing the FMF, this Framework has not been fully developed, documented and implemented.

During 2007-08 the Department initiated the Financial Management Improvement Project (FMIP). The key improvement objectives of the FMIP for the Department are to:

- improve the Department's financial management and budgetary control
- better define and strengthen the Department's internal control environment
- improve the Department's governance frameworks
- prepare the Department for the implementation of the revised Treasurer's Instructions from 1 July 2008
- address key financial reporting/accounting issues.

While the initial implementation timeframes included in the FMIP Business Plan have not been met in all instances, DWLBC had progressed aspects of the project. There still remains significant work to fully implement the project recommendations.

Audit will continue to monitor progress with the implementation of the FMIP during 2008-09.

Corporate Governance

Budgetary Control

Consistent with last year, this year's Audit review identified that DWLBC's working budget was not loaded on the Budget Management System (Masterpiece General Ledger) in a timely manner. The 2007-08 budget was loaded progressively throughout 2007-08 with the last segment loaded in July 2008. In addition, DTF approved budget adjustments for 2007-08 were not loaded to DWLBC's working budget during the year. The Administered Items budget has not been loaded for the past two financial years.

Delays in loading DWLBC's working budget and DTF approved budget adjustments impact on the Department's ability to effectively monitor and report on its budget position.

DWLBC has advised that the 2008-09 budgets were loaded by 29 August 2008. It has also advised that funding was received in the 2008-09 budget for a new Budget Management System which will be implemented for the 2009-10 financial year.

Financial Management Reporting to the Finance Committee

Last year I reported that there was a need to improve the internal financial reporting provided to the Finance Committee.

While there has, during 2007-08, been an improvement in the financial reporting provided to the committee, further enhancement is required to enable the committee to effectively evaluate and monitor the financial position and cash flows of DWLBC.

The main areas requiring improvement are:

- providing monthly financial reports to the committee in a timely manner to enable the identification of financial management and budget issues. The committee commenced receiving financial reports at the October 2008 meeting
- providing detailed explanations of actual to budget variations.

The Department has advised that reporting to the Committee will be further developed to ensure the Committee is able to meet its governance responsibilities.

Risk Management

The Department has prepared a revised draft Risk Management Framework but is yet to:

- finalise and endorse the new Framework
- integrate risk management practices into DWLBC's corporate and strategic planning processes
- implement comprehensive reports from Divisions to the Audit Committee addressing responses to both Strategic and Divisional risks and monitoring and reporting to the Audit Committee on Divisions' progress in implementing approved risk management practices including updating risk registers for emerging risks
- implement a replacement system to support compiling, monitoring and reporting of risks and action to mitigate risks.

DWLBC has advised that the draft Risk Management Framework will be reviewed in the context of the review of the corporate and business planning processes. Risk monitoring and reporting processes will also be reviewed.

Grant Management

Consistent with prior year reports there remains a need for DWLBC to develop and implement an overarching grant management framework. The FMIP addresses the development of governance frameworks with respect to grant management. As part of this, during 2007-08 DWLBC prepared a draft Grant Funding Policy and developed an interim grants register.

DWLBC has advised it plans to have the grant management framework completed by the first half of 2008-09.

Project Management

DWLBC engaged a consultant in February 2006 to review its project management practices. The consultant identified a number of areas to be addressed/improved by the Department. In response to the consultant's findings DWLBC commenced a project management review.

Audit follow up in 2007-08 identified that DWLBC has worked on but not finalised and implemented a Project Management Framework.

DWLBC has advised that it will focus on developing:

- a suite of standard documentation to constitute a Project Management Framework
- staff skills in project management
- a system to improve project tracking and reporting.

Water Licensing

Audit has previously reported that due to limitations in the Water Information Licensing Management Application (WILMA) system inaccurate water licensing revenue and debtors balances have been recorded in DWLBC's general ledger and hence financial statements. The inaccuracy of the debtor balances impacts on the Department's ability to raise interest charges as required by the *Natural Resources Management Act 2004* for overdue accounts and means the follow up of outstanding debtors is time consuming and ineffective.

DWLBC has advised that it will develop a separate accounts receivable system outside of WILMA to address the above issues. It is expected that this system will be developed by March 2009.

In the meantime DWLBC has manually calculated and processed an error correction to the 2006-07 accounts and appropriately adjusted the 2007-08 revenue and debtor balances. The error correction totalled \$799 000. Refer Note A1(b)(ii) for adjustments to the administered items.

Expenditure

The expenditure audit identified the following:

- The need for the Department to clarify with the shared service provider that invoices above \$50 000 are reviewed for appropriate payment authority prior to being processed for payment.
- Two instances were noted where contracts entered into by DWLBC were not authorised in accordance with the Procurement Delegations of Authority.

DWLBC advised it will review the controls and processes in relation to these areas.

Payroll

DWLBC distributes bona fide certificates (BFCs) and Leave Returns reports to all areas of the Department each fortnight. Established procedures require managers to review the reports and advise payroll in a timely manner for correction of any errors. There is reliance on this control to provide assurance that transactions are completely and accurately processed to the payroll system.

Audit's review of the BFC and Leave Returns reports found that the review of these reports had not been consistently performed in line with the established procedures.

DWLBC advised that procedures for management of bona fide and leave reports are being documented and these procedures will outline the checking and assurance processes required to be undertaken.

Reconciliations

Audit has previously reported that the Department had not consistently reviewed the shared service provider's performance of key reconciliations between the various subsidiary systems and the general ledger. Audit noted that the Department did not confirm performance in 2007-08 of the bank reconciliation for the months August 2007 to January 2008.

DWLBC has indicated acceptance of Audit's recommendation that reconciliations performed by the shared service provider are reviewed by DWLBC staff in a timely manner each month.

Water Information Licensing Management Application

During the year, a follow up review was performed of the action taken by DWLBC in response to the matters previously raised in relation to an audit of the WILMA. The review indicated that the main matters had been satisfactorily addressed, notably that DWLBC had:

- extended the contractual agreement with the external service provider during 2007-08 and will further review requirements for this service in late 2008
- completed a gap analysis and review of existing security arrangements and compliance with the government Information Security Management Framework
- progressively implemented a revised password standard
- drafted a business continuity plan that was being considered for review and finalisation.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT**Highlights of the Financial Report**

	2008	2007	Percentage
	\$'million	\$'million	Change
EXPENSES			
Employment benefits expenses	46.1	40.1	15
Supplies and Services	44.8	39.0	15
Grants and subsidies	37.3	37.3	-
Other	16.1	7.6	112
Total Expenses	144.3	124.0	16
INCOME			
Fees and charges	21.1	13.1	61
Grants	36.0	29.2	23
Other	19.1	1.6	-
Total Income	76.2	43.9	74
Net Cost of Providing Services	68.1	80.1	(15)
REVENUES FROM SA GOVERNMENT			
Government appropriations	96.9	93.5	4
Net Result	28.8	13.4	115
NET CASH PROVIDED BY OPERATING ACTIVITIES	32.3	17.4	86
ASSETS			
Current assets	68.1	33.8	101
Non-current assets	72.2	72.7	(1)
Total Assets	140.3	106.5	32
LIABILITIES			
Current liabilities	11.9	8.3	43
Non-current liabilities	10.6	9.2	15
Total Liabilities	22.5	17.5	29
EQUITY	117.8	89.0	32

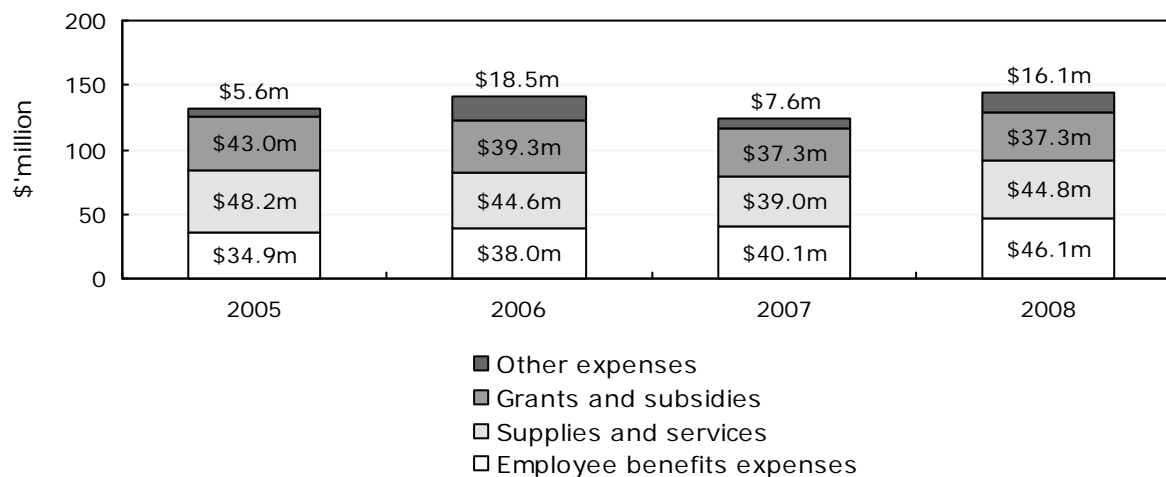
Income Statement**Expenses**

Total expenses for the year increased by \$20.3 million to \$144.3 million. The increase is attributed mainly to increases in:

- employee benefit expenses of \$6.0 million which reflects the impact of an Enterprise Bargaining wage increase and an increase in the Department's staff establishment
- supplies and services of \$5.8 million of which \$2.8 million relates to increased payments to contractors relating to various projects managed by DWLBC
- other expenses of \$8.5 million of which \$7.4 million relates to the cost of water licences acquired during the year.

Grants and subsidies totalling \$37.3 million account for 26 percent of DWLBC expenditure. Of this, 60 percent, \$22.5 million, relates to the State's contributions to the Murray-Darling Basin Commission (MDBC) under an agreement established in 1992. As grants expenditure relates to specific grants programs, the payments in relation to grants are not necessarily comparable from year to year. Reference should be made to Note 9 of DWLBC's financial report which details current and prior year amounts for each major grant program.

For the four years to 2008, a structural analysis of the Department's expenses is shown in the following chart.



Income

Income increased by \$32.3 million to \$76.2 million. This increase is mainly attributable to increases in:

- revenues from fees and charges of \$8.0 million due to revenue generated by the Department for various works associated with River Murray structures
- grant revenues of \$6.8 million of which \$3.0 million relates to additional funds received from the National Water Commission (refer Note 16(a)) and \$4.6 million relates to additional funds received under the National Action Plan for Salinity and Water Quality for the Salt Interception Scheme and Capacity Building (refer Note 16(c))
- other revenues of \$17.5 million predominantly due to monies received from interstate jurisdictions as contributions towards South Australia's water recovery measures under the Living Murray initiative. Refer Note 17.

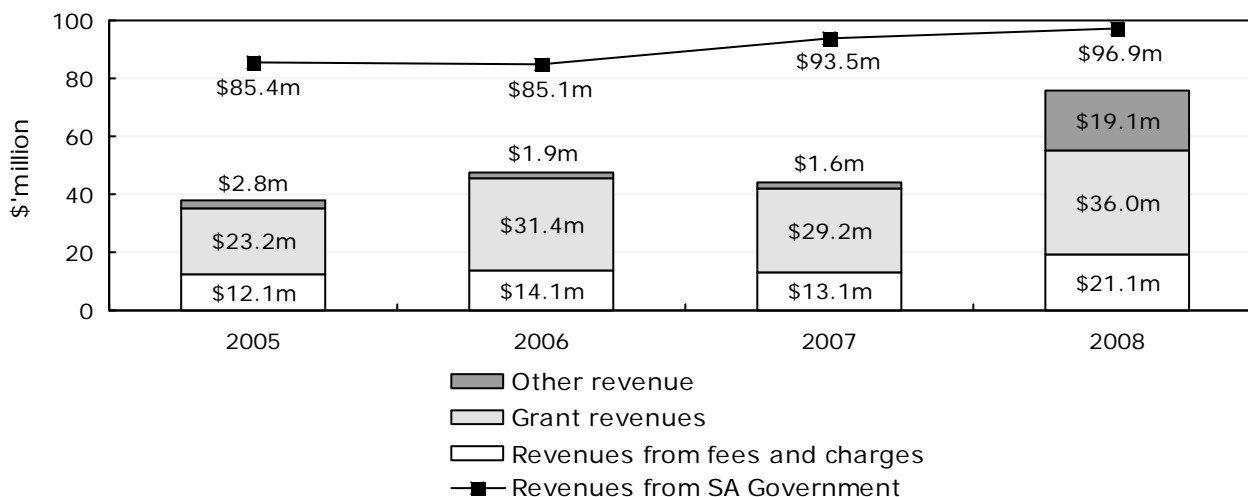
Revenues from SA Government

Revenues from the SA Government increased by \$3.4 million to \$96.9 million.

Revenues from SA Government includes an appropriation of \$22.0 million (\$21.1 million) to the Save the River Murray Fund in 2007-08. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray Levy which was collected and paid into the Consolidated Account by SA Water Corporation.

Revenues from SA Government includes only funds provided pursuant to the Appropriations Act and does not include specific purpose grants provided by the State Government, which are recognised as Grant Revenue. Refer Note 16.

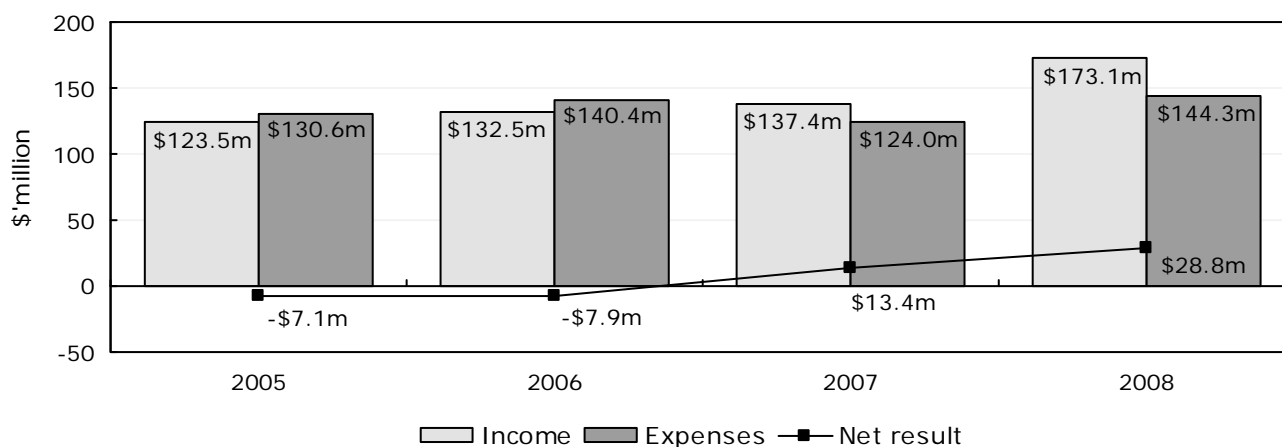
A structural analysis of Income and Revenues from SA Government in the four years to 2008 is presented in the following chart.



Net Result

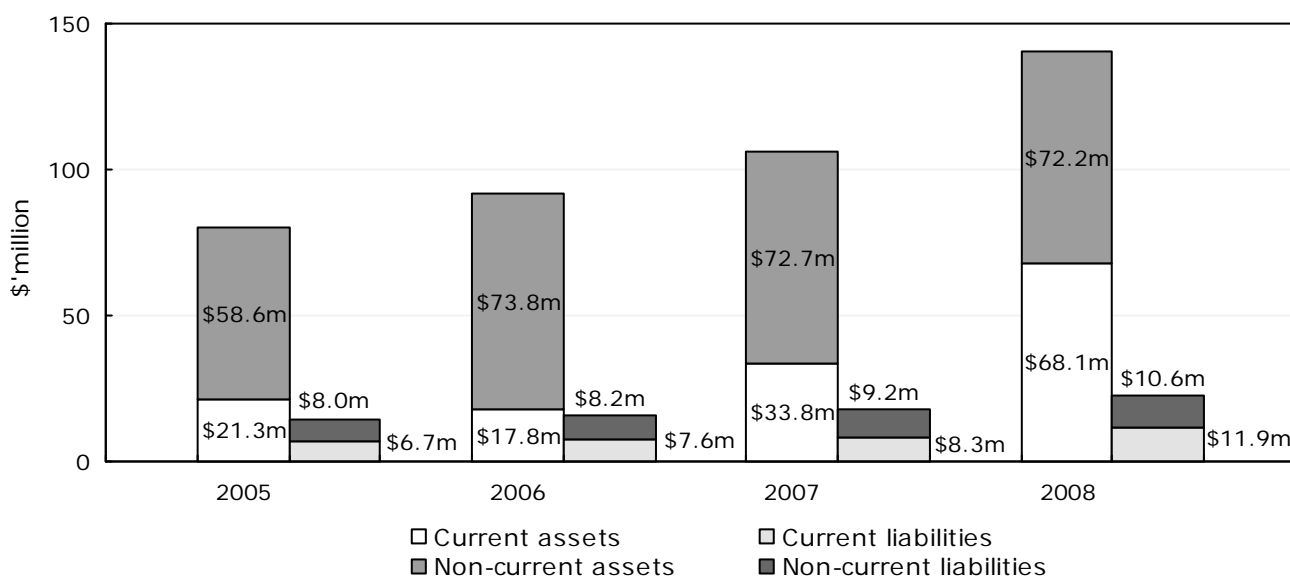
The net result for the year increased by \$15.4 million to \$28.8 million. This is predominantly due to committed but unexpended funds held at 30 June 2008. Reference should be made to Note 31 of DWLBC's financial statements which discloses unspent contributions of \$60.4 million at 30 June 2008 (\$30.9 million at 30 June 2007). This disclosure shows that DWLBC has received cash contributions, generally through grants and subsidies and Government appropriations, that are restricted in application, from external fund providers and which are unspent at 30 June 2008. Refer also to discussion under the heading 'Cash Flow Statement'.

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



Balance Sheet

For the four years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



Current Assets

The value of DWLBC's current assets increased by \$34.3 million to \$68.1 million mainly due to an increase in cash held at 30 June 2008. Refer to Cash Flow Statement below for further analysis.

Non-Current Assets

The Department's non-current assets comprise property, plant and equipment, \$66.4 million, and intangible assets, \$5.7 million.

The significant assets of DWLBC are the Patawalonga Seawater Circulation system (\$19.3 million), Salinity Disposal Schemes (\$19.0 million) and Ground Water Monitoring Wells (\$16.9 million) make up \$55.2 million of the non-current asset balance. These assets represent 83 percent of the Department's total property, plant and equipment.

Cash Flow Statement

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

	2008 \$'million	2007 \$'million	2006 \$'million	2005 \$'million
Net Cash Flows				
Operations	32.3	17.4	(4.5)	(1.5)
Investing	(2)	(0.8)	(0.5)	(0.7)
Financing	-	-	1.1	-
Change in Cash	30.3	16.6	(3.9)	(2.2)
Cash at 30 June	57.9	27.6	11.0	14.9

The analysis shows that cash increased by \$30.3 million reflecting the increase in restricted contributions received but unspent. The restricted contributions at 30 June 2008 totalled \$60.4 million as compared to \$30.9 million at 30 June 2007. Refer Note 31.

ADMINISTERED ITEMS

Murray-Darling Basin Commission

The MDBC is the executive arm of the Murray-Darling Basin Ministerial Council and is responsible for:

- managing the River Murray and the Menindee Lakes system of the lower Darling River
- advising the Ministerial Council on matters related to the use of the water, land and other environmental resources of the Murray-Darling Basin

The MDBC is an autonomous organisation equally responsible to the governments represented on the Ministerial Council as well as to the Council itself. It is neither a government department nor a statutory body of any individual government.

The main functions of the MDBC, as specified in the Murray-Darling Basin Agreement, are:

- to advise the Ministerial Council in relation to the planning, development and management of the Basin's natural resources
- to assist Council in developing measures for the equitable, efficient and sustainable use of the Basin's natural resources
- to coordinate the implementation of, or where directed by Council to implement, those measures
- to give effect to any policy or decision of the Ministerial Council.

In line with the accounting treatment adopted by other interstate jurisdictions and supported by the Australian Bureau of Statistics, DWLBC has recognised for the first time the State's interest in the MDBC assets and liabilities. It has recognised the State's interest in the MDBC as an Interest in a Joint Venture in accordance with AAS 131 within the Administered financial statements.

DWLBC has recognised an equity interest of 26.67 percent in accordance with a determination by the MDBC Finance Committee.

As the State's interest in the MDBC existed before it was initially recognised by DWLBC the adjustments to recognise the interest are classified as prior period errors. The initial adjustments were recognised against the Administered retained earnings as at 1 July 2006. Notes 3 and A10 to DWLBC's financial statements provide further details.

Natural Resources Management Boards and Natural Resources Management Fund

DWLBC has had a significant role in the implementation and administration of the NRMA. The main purposes of the NRMA are to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The NRMA provides for the creation of a range of entities with specific responsibilities including eight regional NRM Boards. DWLBC's financial statements include activities administered for the NRM Boards including:

- collecting fees and charges of \$6.5 million consisting of water levies and penalty charges and grant revenues of \$5.7 million
- payments to NRM Boards of \$13.1 million of which \$6.8 million relates to water levies and penalties collected by DWLBC on behalf of the Boards.

Administered Grant Programs

DWLBC is required to provide the Commonwealth with audited annual financial statements for the following administered grant programs. The statements and independent auditor's reports are prepared and completed after this Report is finalised.

National Action Plan for Salinity and Water Quality (NAP)

Under an agreement between the Commonwealth Government and the State, the NAP aims to enable action to:

- prevent, stabilise and reverse trends in salinity, particularly dry-land salinity, affecting the sustainability of production, the conservation of biological diversity and the viability of infrastructure
- improve water quality and secure reliable allocations for human uses, industry and the environment.

The NAP items administered by DWLBC include revenues from the State Government of \$11.2 million, grant revenues of \$11.0 million, grant expenses of \$37.8 million and cash balances of \$20.1 million.

Natural Heritage Trust (NHT)

The NHT was established by the *Natural Heritage Trust of Australia Act 1997* (Cwlth). Under agreements between the Commonwealth Government and the State, the NHT overarching objectives are:

- biodiversity conservation
- sustainable use of natural resources
- community capacity building and institutional change to increase the capacity to implement biodiversity conservation and sustainable resource use.

The NHT items administered by DWLBC include grant revenues of \$20.0 million, grant expenses of \$20.5 million and cash balances of \$3.8 million.

FURTHER COMMENTARY ON OPERATIONS

Save the River Murray Fund

DWLBC's financial report incorporates financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932* (the Act). Under provisions of the Act, proceeds of the Save the River Murray Levy are collected and paid into the Consolidated Account by SA Water Corporation. These monies are then to be paid into the Fund. Money paid into the Fund may be applied by the Minister toward programs and measures to:

- improve and promote the environmental health of the River Murray, or
- ensure the adequacy, security and quality of the State's water supply from the River Murray, and
 - if the State's contributions to the MDBC for a particular financial year exceed \$15 million (indexed from 2003-04) - payment of the excess,
 - if the Minister is satisfied that it may be appropriate to provide rebates in particular cases - the costs of rebates (including the costs of administering the rebate scheme).

Receipts paid into the Fund in 2007-08 amounted to \$22 million, payments were \$20 million and the balance of the Fund as at 30 June 2008 was \$14.5 million.

The activities of the Fund are considered to be controlled activities of DWLBC and consequently the financial activities are included in DWLBC's general purpose financial report.

The Living Murray Initiative

In June 2004 the State entered into the 'Intergovernmental Agreement on Addressing Water Overallocation and Achieving Environmental Objectives of the Murray-Darling Basin'. This agreement establishes the arrangements for recovery and management of water to address the declining health of the River Murray system (The Living Murray) and to address other water over allocation issues in the Murray-Darling Basin.

The Parties agreed to provide \$500 million in the recovery of up to 500 gigalitres (GL) of water for The Living Murray. South Australia's commitment under this agreement is \$65 million over a period of five years and a volumetric recovery target of 35 GL of water.

In meeting these commitments, DWLBC has made the following contributions:

2005-06

- DWLBC purchased 10 GL of water entitlements from SA Water Corporation for \$15.3 million for purposes of meeting a water recovery target of 35 GL. This expenditure was part of 'other expenses - water acquisitions'.

2006-07

- The 10 GL of water entitlements acquired from SA Water Corporation together with 3 GL water entitlements from the Minister for the River Murray were placed on the MDBC's Eligible Measures Register for purposes of meeting a water recovery target of 35 GL.
- \$4.1 million was paid to the Victorian Government for South Australia's contribution to environmental measures under the River Murray Improvement Program. This expenditure forms part of 'other expenses - investments in water recovery projects'. Refer to Note 10 of DWLBC's financial report.

2007-08

- \$3.6 million was paid to the Victorian Government as South Australia's contribution to environmental measures under the River Murray Improvement Program and \$2.3 million was paid to the Murray-Darling Basin Commission for South Australia's contribution to The Living Murray Recovery Program. Refer Note 10 of DWLBC's financial report.
- DWLBC purchased water licences totalling \$7.4 million.
- The 13 GL of water secured in 2005-06 and 2006-07 was placed on the MDBC's Environmental Register for application to environmental purposes.

Fixed Assets – Control and Recognition

Constructed River Murray Structures

Over recent years, DWLBC has been involved in construction projects as part of the River Murray Salt Interception Infrastructure Program. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the National Action Plan for Salinity and Water Quality and MDBC funding.

DWLBC has previously advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBC. Consequently the assets have not been directly recognised as assets controlled in DWLBC's accounts. Payments in relation to these programs are recognised as expenses in DWLBC's Income Statement in the form of employee expenditure, operating costs and grant payments. As discussed under Administered Items, DWLBC has, however, for the first time during 2007-08, recognised an interest in the net assets of the MDBC.

Constructed Upper South East Drainage Assets

DWLBC is involved in the construction of the Upper South East Drainage Scheme. These constructed infrastructure assets and associated work in progress have been funded through the National Action Plan for Salinity and Water Quality. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002* the resulting assets are, on completion, maintained by the South Eastern Water Conservation and Drainage Board.

As discussed further in Note 21(c) of DWLBC's financial report these assets are not recognised as DWLBC's assets. Amounts expended in relation to the scheme are recognised as expenses in DWLBC's Income Statement.

Refer also to comments provided in Note 2(x) of the Department's financial report.

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

		2008	2007
	Note	\$'000	\$'000
EXPENSES:			
Employee benefits expenses	6	46 055	40 099
Supplies and services	7	44 757	38 953
Depreciation and amortisation expense	8	2 384	2 581
Grants and subsidies	9	37 342	37 313
Other expenses	10	13 727	4 991
Total Expenses		144 265	123 937
INCOME:			
Revenues from fees and charges	13	21 116	13 110
Interest revenue	14	431	211
Net (loss) gain from disposal of non-current assets	15	(15)	29
Grant revenues	16	36 018	29 174
Other revenues	17	18 683	1 357
Total Income		76 233	43 881
NET COST OF PROVIDING SERVICES		68 032	80 056
REVENUES FROM SA GOVERNMENT	12	96 855	93 469
NET RESULT		28 823	13 413

The net result is attributable to the SA Government as owner

Balance Sheet as at 30 June 2008

		2008	2007
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	18	57 925	27 578
Receivables	19	8 858	5 017
Inventories	20	1 349	1 216
Total Current Assets		68 132	33 811
NON-CURRENT ASSETS:			
Property, plant and equipment	21	66 421	67 372
Intangible assets	22	5 745	5 299
Total Non-Current Assets		72 166	72 671
Total Assets		140 298	106 482
CURRENT LIABILITIES:			
Payables	23	7 472	4 527
Employee benefits	24	4 295	3 600
Provisions	25	162	133
Total Current Liabilities		11 929	8 260
NON-CURRENT LIABILITIES:			
Payables	23	964	903
Employee benefits	24	9 137	7 932
Provisions	25	426	370
Total Non-Current Liabilities		10 527	9 205
Total Liabilities		22 456	17 465
NET ASSETS		117 842	89 017
EQUITY:			
Contributed capital		8 164	8 164
Asset revaluation reserve		24 282	24 280
Retained earnings		85 396	56 573
TOTAL EQUITY		117 842	89 017

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26
Contingent assets and liabilities	27

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

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2006	8 164	24 068	43 595	75 827
Error correction	-	-	(435)	(435)
Gain on revaluation of property, plant and equipment and intangibles during 2006-07	-	212	-	212
Net income recognised directly in equity for 2006-07	-	212	(435)	(223)
Net Result for 2006-07	-	-	13 413	13 413
Total Recognised Income and Expense for 2006-07	-	212	12 978	13 190
Balance at 30 June 2007	8 164	24 280	56 573	89 017
Net Result for 2007-08	-	2	28 823	28 825
Balance at 30 June 2008	8 164	24 282	85 396	117 842

All changes in equity are attributable to SA Government as owner

Cash Flow Statement for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee benefit payments		(44 098)	(38 928)
Payments for supplies and services		(41 923)	(38 766)
Payments of grants and subsidies		(37 342)	(37 313)
Other payments		(13 638)	(4 980)
GST payments on purchases		(9 447)	(8 746)
GST paid to the ATO		-	(181)
Cash used in Operations		(146 448)	(128 914)
CASH INFLOWS:			
Fees and charges		17 358	13 560
Grant receipts		36 018	29 174
Interest received		381	200
Other receipts		18 683	1 357
GST receipts on sales		4 783	2 326
GST recovered from the ATO		4 720	6 208
Cash generated from Operations		81 943	52 825
Receipts from SA Government		96 855	93 469
Cash generated from SA Government		96 855	93 469
Net Cash provided by Operating Activities	29	32 350	17 380
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(1 429)	(1 662)
Purchase of intangibles		(574)	-
Cash used in Investing Activities		(2 003)	(1 662)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		-	822
Cash generated from Investing Activities		-	822
Net Cash used in Investing Activities		(2 003)	(840)
NET INCREASE IN CASH		30 347	16 540
CASH AT 1 JULY		27 578	11 038
CASH AT 30 JUNE	18,29	57 925	27 578

Program Schedule of Expenses and Income for the year ended 30 June 2008

	NRM	NRM (River Murray)	General	2008 Total
	\$'000	\$'000	\$'000	\$'000
EXPENSES:				
Employee benefits expenses	28 149	9 715	8 191	46 055
Supplies and services	23 512	15 282	5 963	44 757
Depreciation and amortisation	2 384	-	-	2 384
Grants and subsidies	6 344	30 997	1	37 342
Other expenses	84	13 307	336	13 727
Total Expenses	60 473	69 301	14 491	144 265
INCOME:				
Revenues from fees and charges	9 177	11 221	718	21 116
Grant revenues	24 979	10 988	51	36 018
Interest revenues	427	4	-	431
Net loss on disposal of non-current assets	-	-	(15)	(15)
Other revenue	1 069	17 571	43	18 683
Total Income	35 652	39 784	797	76 233
NET COST OF PROVIDING SERVICES	24 821	29 517	13 694	68 032
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	3 601	22 174	71 080	96 855
NET RESULT	(21 220)	(7 343)	57 386	28 823

	NRM	NRM (River Murray)	General	2007 Total
	\$'000	\$'000	\$'000	\$'000
EXPENSES:				
Employee benefits expenses	25 185	7 822	7 092	40 099
Supplies and services	22 344	9 047	7 562	38 953
Depreciation and amortisation	2 581	-	-	2 581
Grants and subsidies	8 152	29 126	35	37 313
Other expenses	38	5 525	(572)	4 991
Total Expenses	58 300	51 520	14 117	123 937
INCOME:				
Revenues from fees and charges	6 494	6 515	101	13 110
Grant revenues	21 987	7 139	48	29 174
Interest revenues	187	17	7	211
Net gain on disposal of non-current assets	12	-	17	29
Other revenues	1 097	20	240	1 357
Total Income	29 777	13 691	413	43 881
NET COST OF PROVIDING SERVICES	28 523	37 829	13 704	80 056
REVENUES FROM SA GOVERNMENT:				
Revenues from SA Government	2 572	21 113	69 784	93 469
NET RESULT	(25 951)	(16 716)	56 080	13 413

The Program Schedule of Expenses and Income does not separately identify Program 3 'Water Security' which commenced during March 2008 and is reported for the first time in the 2008-09 Budget Papers. The relevant expenses and income pertaining to this program are included in Program 2.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Water, Land and Biodiversity Conservation (the Department)

Ensure South Australia's natural resources are managed in ecologically sustainable ways that support the well being of present and future generations.

To achieve the Department objective, it contributes to the following outcomes:

- (a) Integrated natural resource management (NRM) that covers all of South Australia's natural resource elements.
- (b) Improved health and productivity of South Australia's biodiversity, water, land and marine resources.
- (c) Community, industry, governments and other stakeholders working together to achieve high quality natural resource management outcomes.
- (d) A greater capability and willingness to invest in natural resource management to provide a sustained funding base.
- (e) Wise resource allocation that provides for the best environmental, social and economic outcomes.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

The financial report is a general-purpose financial report. The accounts have been prepared in accordance with AASs, TIs and accounting policy requirements promulgated under the provisions of the PFAA.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2008. Refer to Note 4.

(b) Basis of Preparation

The preparation of the financial report requires:

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

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

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

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

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

(c) The Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

The financial report includes all of the controlled activities of the Department of Water, Land and Biodiversity Conservation (DWLBC). These include transactions on behalf of the Save the River Murray Fund (STRMF). The STRMF is established under section 100 of the *Waterworks Act 1932* and is funded through the Save the River Murray Levy. The STRMF is applied to a program of works and measures to improve and promote the health of the River Murray in South Australia and increasing community demands for a high security of good quality water for urban and irrigation purposes.

(c) The Reporting Entity (continued)

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 at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Transactions in relation to the Murray-Darling Basin Commission (MDBC) are reflected in both the Department's controlled activities and also administered items (refer Note 3 for further details).

(d) Comparative Information

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

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

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

(e) Rounding

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

(f) Taxation

The 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 the GST included.

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

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

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

(g) Events After Balance Date

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years. Refer Note 32 for further details.

(h) Income and Expenses

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

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

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

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

Income

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 (ie 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 (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 Department have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Disposal of Non-Current Assets

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

Any gain (loss) on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

Revenues from SA Government

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

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 appropriation is recorded as contributed equity.

Other Revenues

Other revenues includes monies invested by other jurisdictions in South Australian water recovery measures under The Living Murray initiative together with funds from the temporary trading of water entitlements and pastoral lease rentals.

Expenses

Employee Benefits

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

Superannuation

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

The Department made contributions for the 2007-08 financial year of \$4 604 000 (\$3 983 000).

Contributions Paid

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

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

Resources Provided Free of Charge

Resources provided free of charge are recorded as expenditure in the Income Statement at their fair value and in the expense line items to which they relate.

Payments to SA Government

Payments to the SA Government include the return of surplus cash pursuant to the Cash Alignment Policy, taxation revenues and expiation fees received on behalf of the Government and paid directly to the Consolidated Account.

(i) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. 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.

(j) Cash

Cash in the Balance Sheet includes cash at bank and on hand.

For the purposes of the Cash Flow Statement, cash consist of cash as defined above.

Cash is measured at nominal value. Refer Note 18.

(k) Receivables

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

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

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified. Refer Note 19.

(l) Inventories

Inventories are measured at the lower of cost or net their net realisable market value. Inventories include plants and materials held by State Flora and the Branched Broomrape Eradication Program.

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

(m) Non-Current Asset Acquisition and Recognition

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

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, the Department measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing. There were no such assets recorded at balance date.

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

Minor assets with an individual value of less than \$5000 are expensed in the Income Statement at the time of acquisition, with the exception of Groundwater Monitoring Wells and the Surface Water Monitoring Network due to the significant number and long useful lives of the assets contained within these classes. All assets for these classes have been recognised in the Balance Sheet regardless of their initial cost of acquisition.

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.

(n) Revaluation of Non-Current Assets

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

The Department 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, 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. An independent valuation appraisal will be performed at least every five years.

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

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

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

(o) Impairment

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

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

(p) Depreciation and Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to 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 change the time period or method, as appropriate, which is a change in accounting estimate.

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

Land is not depreciated.

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

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings	10 - 47
Leasehold Improvements	Life of lease
Groundwater Monitoring Wells	1 - 100
Patawalonga Seawater Circulation and Barcoo	7 - 97
Surface Water Monitoring Network	1 - 69
Waste Disposal Stations	22
Salinity Disposal Schemes	28 - 86
Plant and equipment	3 - 42

(q) Intangible Assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. The Department has intangible assets with finite and infinite lives.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

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 \$10 000.

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

(r) Payables

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

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

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

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

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

The 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.

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for 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 for sick leave.

Long Service Leave

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

The unconditional portion of the long service leave provision is classified as current as the Department 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, WorkCover and superannuation) are recognised separately under payables.

Provisions

Provisions are recognised when the Department has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

A provision has been raised to reflect the liability for any outstanding (unsettled) workers compensation claims for lump sum payments, adjusted for potential recoveries from negligent third parties. The provision is based on an actuarial assessment performed for the Public Sector Workforce Division of the Department of the Premier and Cabinet.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability, according to the Department's experience of claim numbers and payments.

The whole-of-government estimate can be found in a report prepared by Taylor Fry Pty Ltd, consulting actuaries, and submitted to the Public Sector Workforce Division.

(t) 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 2008 (there was no material liability recognised for financial guarantee contracts in 2007).

(u) Leases

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

The Department has entered into non-cancellable operating lease arrangements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease. Refer to Note 26 for further details.

The Department has not entered into any finance leases.

Operating Leases

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

(v) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer Note 27.

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) Interests in Joint Ventures

Cooperative Research Centres

The Department participates in a number of joint ventures through its interests in Cooperative Research Centres (CRCs).

While CRCs have the characteristics of joint ventures, they are not material to the Department and no separate disclosure for 2008 has been made in accordance with the AASB 131.

A CRC is a research initiative of the Commonwealth Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. There are usually a number of participants involved with CRCs, which also often have a significant research focus (eg Commonwealth Scientific and Industrial Research Organisation (CSIRO), universities and private sector bodies).

The funding of a CRC is usually coordinated through a Centre Agent who is appointed generally from one of the participating entities.

Transactions between the CRCs and the Department are accounted for in terms of general revenue and expenditure.

In 2007-08, the Department contributed \$1 500 000 in both cash and in-kind support for the following CRCs:

CRC for Future Farm Industries
CRC for Irrigation Futures
CRC for Australian Weed Management
CRC for Invasive Animals
CRC for Desert Knowledge
CRC for E-Water

NRM Alliance

The NRM Alliance (the Alliance) comprises all eight regional Natural Resources Management Boards, the NRM Council, South Australia's state NRM agencies (Department of Environment and Heritage, DWLBC, Department of Primary Industries and Resources SA), the Department of Further Education, Employment, Science and Technology, CSIRO and South Australia's three academic institutions.

The relevant stakeholders have established the purpose of the Alliance to be to:

- foster and strengthen linkages between the users and providers of NRM science, technology and innovation;
- foster and strengthen collaboration between providers of NRM science, technology and innovation to increase capacity and capability;
- provide strategic advice on the adoption of NRM science, technology and innovation;
- attract and direct investment into NRM science, technology and innovation that will support improved NRM outcomes.

The Alliance's activities are administered through a deposit account held with the Treasurer.

Murray-Darling Basin Commission

Note 3 refers to changes in accounting for the MDBC. During 2007-08, the Department recognised the State of South Australia's equity (ownership) interest in the assets and liabilities of the MDBC, as from 1 July 2006. As the Department administers the State's investment in the MDBC, these transactions are reflected in the administered items.

(x) Future Developments in Financial Reporting

Notes 2(a) and 2(c) provide relevant information on the statement of compliance and the reporting entity. Notwithstanding, in view of the diverse nature of the Department's activities and relatively complex funding arrangements some important areas remain under consideration. These areas are:

- establishing the STRMF as a separate general purpose reporting entity, where separate financial statements would be prepared and then consolidated with that component of the Department (excluding STRMF). This is intended to improve the overall 'understandability' of the Department's general-purpose financial report, an essential qualitative characteristic of financial reporting. Necessary legislative amendments and reporting arrangements are planned to be in place for the preparation of the 2008-09 financial reports.
- ongoing monitoring of the accounting treatment of expensing various project costs where assets are developed on behalf of/transferred to other entities. This is contingent on a more detailed review of questions surrounding control. Project expenditure that will be subject to review in this area includes that associated with the Upper South East Dryland Salinity and Flood Management Program and the Salt Interception Schemes.

3. Changes in Accounting for the Murray-Darling Basin Commission

In Note 2(p) Future Developments in Financial Reporting to the 2006-07 financial statements, the Department signalled its intention to review the basis of accounting for any interest in the MDBC assets and liabilities. Previously the Department had reported that various assets under the control of the MDBC were not recognised as assets of the Department (refer Note 2(d) Assets Not Recognised to the 2006-07 financial statements).

Following an assessment of the relevant principles, accounting treatment and legislative developments during 2007-08, the Department has recognised the State of South Australia's equity (ownership) interest in the assets and liabilities of the MDBC in the 2007-08 financial statements, as from 1 July 2006. The accounting approach has been to recognise the equity interest in the MDBC as a joint interest in an entity (pursuant to AASB 131) and to equity account for this interest.

The equity interest (pursuant to a meeting of the MDBC Finance Committee held in March 2003) is 26.67 percent. Equity in the MDBC is limited to those governments (SA, NSW, Victoria and the Commonwealth), which have contributed to the construction and planned (major) maintenance (capital component) of the River Murray Water infrastructure assets. As Queensland and the ACT contributions apply only to operating activities they have been deemed not to share in the equity of the MDBC.

Equity shares are not adjusted to reflect annual budget contributions to Investigation and Construction Works and Planned (major) Maintenance.

This accounting decision constitutes an omission in prior years and hence the Department has reported the first time recognition of its equity interest as an accounting error at 1 July 2006. The effect on the 2007-08 administered financial statements was:

- Investments in associated joint ventures impacted by \$647.046 million (\$614.919 million)
- Share of gain in joint venture associates impacted by \$9.124 million (\$4.622 million)
- Retained earnings impacted by \$471.561 million (\$462.437 million)
- Asset revaluation reserve impacted by \$175.485 million (\$152.482 million)

As the Department administers the State's investment in the MDBC, these transactions are reflected in the administered items. Notwithstanding, the Department also conducts activities in relation to the MDBC forming part of its controlled activities.

These activities include the individual MDBC jurisdictional contributions to the annual budget of the MDBC, calculated on the MDBC Contributions Model. Under the Waterworks (Save the River Murray Levy) Amendment Bill 2003 contributions to the MDBC are proportioned between the provision of State appropriation and the STRMF. The total contribution for 2007-08 was \$22.5 million.

In addition to the above, contributions are made to the River Murray Works expenditure in accordance with prescribed expenditures. Income derived from River Murray Works is shared between the jurisdictions in terms of specified ratios and are reflected in the Income Statement under fees and charges.

Developments relating to the MDBC are further referred in Note 32.

4. Changes in Accounting Policies

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

5. Programs of the Department

In achieving its objective, the Department provides a range of services classified into the following programs:

Program 1: Natural Resource Management

Natural Resource Management is described as the management of natural resources in South Australia, including the provision of advice and regulatory support for the Government and community; and facilitating the allocation and sustainable use of natural resources.

Program 2: Natural Resource Management (River Murray)

Natural Resource Management (River Murray) is described as the management of natural resources in the Murray-Darling Basin in South Australia, including the provision of advice and regulatory support for Government and community; and facilitating the allocation and sustainable use of natural resources.

General/Not Attributable

Certain items of the Department are not allocated to programs.

The Program Schedule of Expenses and Income does not separately identify Program 3 'Water Security' which commenced during March 2008 and is reported for the first time in the 2008-09 Budget Papers. The relevant expenses and income pertaining to this program are included in program 2.

The Program Schedule of Expenses and Income reflected immediately prior to the 'Notes to and forming part of the financial statements' presents expense and income information regarding departmental programs for the years ended 30 June 2007 and 30 June 2008.

6. Employee Benefits Expenses		2008	2007
(a) Employee Benefits Expenses		\$'000	\$'000
Salaries and wages		33 495	29 457
Superannuation		4 604	3 983
Annual leave		3 207	2 804
Long service leave		2 120	1 572
Workers compensation		245	57
Board fees		126	139
Other		2 258	2 087
Total Employee Benefits Expenses		46 055	40 099

There were no TVSPs paid during the reporting period.

(b) Remuneration of Employees		2008	2007
The number of employees whose remuneration received or receivable falls within the following bands:		Number of Employees	Number of Employees
\$100 000 - \$109 999		20	15
\$110 000 - \$119 999		5	8
\$120 000 - \$129 999		6	4
\$130 000 - \$139 999		4	3
\$140 000 - \$149 999		3	2
\$150 000 - \$159 999		1	-
\$160 000 - \$169 999		1	3
\$170 000 - \$179 999		4	2
\$180 000 - \$189 999		1	-
\$190 000 - \$199 999		1	2
\$270 000 - \$279 999		-	1
\$290 000 - \$299 999		1	-
Total Number of Employees		47	40

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 or receivable by these employees for the year was \$6 096 000 (\$5 174 000).

7. Supplies and Services				2008	2007
Supplies and services expenses for the reporting period comprised of:		SA Govt	Non-SA Govt	\$'000	\$'000
Contractors		9 084	12 872	21 956	19 132
Service level agreement		3 830	75	3 905	3 492
Accommodation		2 443	889	3 332	2 761
Vehicles		1 856	411	2 267	2 049
Computing		252	1 077	1 329	1 072
Travel and accommodation		18	1 407	1 425	1 277
Printing, publishing and stationery		192	518	710	719
Telephones		344	228	572	645
Chemical analysis		30	752	782	1 896
Minor plant and equipment purchases		100	1 434	1 534	1 085
Maps, photographs and plans		195	381	576	64
Consultancies		-	438	438	369
Materials and consumables		9	956	965	575
Equipment repairs and maintenance		47	414	461	412
Advertising, exhibition and promotion		6	785	791	542
Legal fees		435	32	467	249
Staff development		69	865	934	798
Other supplies and services		636	1 677	2 313	1 816
Total Supplies and Services		19 546	25 211	44 757	38 953

7. Supplies and Services (continued)	2008	2008	2007	2007
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	37	131	18	84
Between \$10 000 and \$50 000	8	144	10	219
Above \$50 000	3	163	1	66
Total Paid/Payable to the Consultants Engaged	48	438	29	369
8. Depreciation and Amortisation Expense			2008	2007
			\$'000	\$'000
Patawalonga Seawater Circulation and Barcoo			354	351
Groundwater monitoring wells			584	892
Plant and equipment			580	479
Salinity disposal schemes			349	345
Surface water monitoring network			58	62
Waste disposal stations			63	63
Buildings			41	47
Intangible Assets			355	342
Total Depreciation and Amortisation Expense			2 384	2 581
9. Grants and Subsidies				
Grants and subsidies paid/payable to entities external to the SA Government:				
Murray-Darling Basin Commission			22 470	21 607
Department of Primary Industries and Fisheries Qld - Red imported fire ants			553	417
Irrigators - Lower Murray reclaimed irrigation areas			2 436	3 738
Department of Agriculture, Fisheries and Forestry (Commonwealth)			-	37
Lake Eyre Basin - Environment Australia			155	125
Department of Sustainability and Environment			-	179
Trees for Life			-	35
Murray-Darling Basin Association Inc			20	20
Other grants			1 748	2 170
Total Grants and Subsidies - Non-SA Government Entities			27 382	28 328
Grants and subsidies paid/payable to entities within the SA Government:				
GH Michell trade waste subsidy			-	1 844
River Murray improvement program - SA Government agencies			1 062	1 435
Grant subsidy (transferred to Administered Item - Dog Fence Board)			441	425
Transfer to NRM Fund in respect of Appropriations allocated to the regional NRM Boards*			3 269	3 771
Other grants to regional NRM Boards in respect of animal and plant control - not transferable to NRM Fund			-	42
Rainwater Tank Rebate Scheme			1 648	250
Branched Broomrape Eradication			700	717
Minister for the River Murray Infrastructure projects			-	400
Native Vegetation Fund			2 600	-
Other grants			240	101
Total Grants and Subsidies - SA Government Entities			9 960	8 985
Total Grants and Subsidies			37 342	37 313
* Excludes appropriations received by the Department under Administered Items (\$400 000) in respect of the SA Arid Lands NRM Board.				
10. Other Expenses				
Other expenses paid/payable to entities external to the SA Government:				
Investment in water recovery projects*			13 299	4 121
Donated assets			95	-
Bad and doubtful debts			47	11
Audit fees			32	-
Other			17	-
Total Other Expenses - Non-SA Government Entities			13 490	4 132
Other expenses paid/payable to entities within the SA Government:				
Audit fees			237	219
Water acquisition*			-	640
Total Other Expenses - SA Government Entities			237	859
Total Other Expenses			13 727	4 991

* Refer to Note 17 for further commentary regarding The Living Murray initiative.

11. Auditor's Remuneration	2008	2007
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department	237	219
Total Audit Fees	237	219
<i>Other Services</i>		
No other services were provided by the Auditor-General's Department.		
12. Revenues from SA Government		
Appropriation from consolidated account pursuant to the <i>Appropriation Act</i>	96 855	93 469
Total Revenues from SA Government	96 855	93 469
The revenues from SA Government include \$22 000 000 which was paid into the STRMF (the Fund), from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The Fund was established under section 100 of the <i>Waterworks Act 1932</i> (the Act) and monies credited to the Fund may only be applied to purposes set out in the Act. The total monies applied from the Fund were \$20 010 000. A special purpose financial report is prepared for the Fund.		
13. Revenues From Fees and Charges	2008	2007
	\$'000	\$'000
Fees and charges received/receivable from entities external to the SA Government:		
Sale of goods and services	10 659	8 155
Fees, levies and licences	2 109	1 793
Total Fees and Charges - Non-SA Government Entities	12 768	9 948
Fees and charges received/receivable from entities within the SA Government:		
Sale of goods and services	6 859	2 320
Fees, levies and licences	30	33
Service recoveries	1 459	809
Total Fees and Charges - SA Government Entities	8 348	3 162
Total Fees and Charges	21 116	13 110
14. Interest Revenue		
Interest from entities within the SA Government	430	209
Other interest	1	2
Total Interest Revenue	431	211
15. Net (Loss) Gain from Disposal of Non-Current Assets		
Plant and Equipment:		
Proceeds from disposal	-	13
Net book value of assets disposed	15	-
Net (Loss) Gain from Disposal of Plant and Equipment	(15)	13
Land and Buildings:		
Proceeds from disposal	-	809
Net book value of assets disposed	-	793
Net Gain from Disposal of Land and Buildings	-	16
Total Assets:		
Total proceeds from disposal	-	822
Total value of assets disposed	15	793
Total Net (Loss) Gain from Disposal of Non-Current Assets	(15)	29
16. Grant Revenues		
(a) <i>Grant Revenues from the Commonwealth</i>		
Department of Agriculture Fisheries and Forestry - Branched Broomrape Eradication Program	1 176	1 154
National Water Commission - National Water Initiative - Mount Lofty Ranges	2 455	2 700
National Water Commission - National Water Initiative - Implementation	2 407	1 984
National Water Commission - National Water Initiative - South East	2 803	910
National Water Commission - National Water Initiative - Fractured Rock	258	363
National Water Commission - Restoring Flows to the Wetlands in the Upper South East of SA	1 083	-
Lake Eyre Basin Rivers Assessment	-	420
Other	1 210	440
Total Grant Revenues from the Commonwealth	11 392	7 971

(b) Grant Revenues Received from SA Government		2008	2007
		\$'000	\$'000
SA Water Corporation - Western Mount Lofty Ranges		-	1 200
Department for Environment and Heritage		266	-
Adelaide and Mount Lofty Ranges NRM Board		300	477
SA Murray-Darling Basin NRM Board		90	957
South East NRM Board		56	211
Alinytjara Wilurara NRM Board		100	-
South Australian Arid Lands NRM Board		354	-
Northern and Yorke NRM Board		202	73
Native Vegetation Fund		312	302
Other Grants		242	168
Total Grant Revenues from SA Government		1 922	3 388
(c) Grant Revenues from National Action Plan			
Grant Revenue State NAP Unmatched:			
Administration Contribution		750	650
Regional Liaison Officers Annual Payment		20	-
Drylands Salinity		-	100
Total Grant Revenues from State National Action Plan Unmatched		770	750
Grant Revenues from NAP Joint Commonwealth and State Funding:			
Upper South East Program		8 157	7 597
Lower Murray Reclaimed Irrigation Areas		4 260	4 000
Salt Interception Scheme - Regional Disposal Strategy		2 873	495
Salt Interception Scheme - Pike/Munro		528	141
Salt Interception Scheme - Murtho		159	344
Salt Interception - Chowilla		323	502
Salt Interception Scheme - Other		211	29
Capacity Building		3 058	1 029
Upper South East Salinity Accession - Centre for Natural Resource Management		-	160
Centre for Natural Resource Management		67	130
Other NAP		145	-
Total Grant Revenues from National Action Plan Joint Commonwealth and State Funding		19 781	14 427
Total Grant Revenues from National Action Plan		20 551	15 177
(d) Grant Revenues from Natural Heritage Trust			
Regional Liaison Officers Annual Payment		680	680
Administration of National Landcare Community Support		60	60
Other		161	120
Total Grant Revenues from Natural Heritage Trust		901	860
(e) Grant Revenues from Other Entities			
Loxton District Irrigation Rehabilitation - Growers		14	-
Branched Broomrape Eradication Program (Other State Governments)		976	957
Cooperative Research Centre Flora Search		50	390
Cooperative Research Centre for Plant Based Management of Dryland Salinity		-	102
Sundry grants and contribution		212	329
Total Grant Revenues from Other Entities		1 252	1 778
Total Grant Revenues		36 018	29 174

17. Other Revenues	SA Govt	Non-SA Govt	2008	2007
	\$'000	\$'000	\$'000	\$'000
Operating expenses recouped	5	35	40	174
Pastoral leases	-	893	893	888
The Living Murray*	-	17 562	17 562	-
Other revenue	38	150	188	295
Total Other Revenue	43	18 640	18 683	1 357

* Revenues received pursuant to The Living Murray constitute monies invested by other jurisdictions in South Australian water recovery measures under The Living Murray initiative. These monies, together with funds generated through the temporary trade of water entitlements, are paid into a separate deposit account held with the Treasurer.

In accordance with the Intergovernmental Agreement on Addressing Water Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin ('the Intergovernmental Agreement'), the 2006 Supplementary Intergovernmental Agreement and the Living Murray Business Plan, South Australia has committed to recover an indicative 35 gigalitres of water and invest \$65 million in water recovery measures along the River Murray. This represents South Australia's contribution over five years (through to June 2009) toward a \$700 million, Basin-wide initiative to return 500 gigalitres of environmental flows to the River Murray.

17. Other Revenues (continued)

The Living Murray Business Plan describes how the actions and milestones in the Intergovernmental Agreement are to be achieved. The expenditure authority is provided for in the DWLBC's forward estimates for the STRMF.

While the water must be recovered from South Australia, the State's investment may be in any water recovery measure in any Basin jurisdiction. These expenses are shown in Note 10, while commitments pursuant to the Living Murray initiative are shown in Note 26.

Clause 41 of the Intergovernmental Agreement specifies the maximum first call percentage a jurisdiction can invest in another jurisdiction's water recovery measure. As such when South Australia implements an appropriate water recovery measure, it is likely that other jurisdictions will invest in that measure.

	2008 \$'000	2007 \$'000
Deposits with the Treasurer	57 875	27 529
Deposits at call	42	42
Other	8	7
Total Cash	57 925	27 578

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 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.

	SA Govt \$'000	Non-SA Govt \$'000	2008 \$'000	2007 \$'000
19. Receivables				
Current:				
Receivables	2 310	5 424	7 734	3 644
Less: Allowance for doubtful debts	-	(63)	(63)	(85)
Accrued interest	70	-	70	20
Workers compensation recoveries	21	-	21	21
GST receivables	-	1 085	1 085	1 417
Prepayments	-	11	11	-
Total Current Receivables	2 401	6 457	8 858	5 017

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 Income Statement for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Interest Rate Risk and Credit Risk

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

	2008 \$'000	2007 \$'000
20. Inventories		
Materials at cost	1 349	1 216
Total Current Inventories	1 349	1 216

21. Property, Plant and Equipment, and Intangibles
(a) *Reconciliation of Carrying Amounts*

	Cost \$'000	Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000
2008				
Land and buildings	-	4 584	226	4 358
Groundwater monitoring wells	221	17 924	1 256	16 889
Surface water monitoring network	-	2 474	58	2 416
Waste disposal stations	-	1 383	315	1 068
Patawalonga seawater circulation and Barcoo	31	20 545	1 231	19 345
Plant and equipment	6 406	-	4 791	1 615
Salinity disposal schemes	-	20 031	1 046	18 985
Work in progress	1 745	-	-	1 745
Total Property, Plant and Equipment	8 403	66 941	8 923	66 421
Internally developed & acquired intangibles	4 467	2 610	1 332	5 745
Total Property, Plant and Equipment, and Intangibles	12 870	69 551	10 255	72 166

(a) *Reconciliation of Carrying Amounts*
(continued)

	Cost	Valuation	Accumulated Depreciation/ Amortisation	Written Down Value
2007	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	4 583	185	4 398
Groundwater monitoring wells	221	17 924	672	17 473
Surface water monitoring network	-	2 473	-	2 473
Waste disposal stations	-	1 383	252	1 131
Patawalonga seawater circulation and Barcoo	-	20 545	877	19 668
Plant and equipment	6 626	-	4 670	1 956
Salinity disposal schemes	-	20 031	697	19 334
Work in progress	939	-	-	939
Total Property, Plant and Equipment	7 786	66 939	7 353	67 372
Internally developed & acquired intangibles	3 666	2 610	977	5 299
Total Property, Plant and Equipment, and Intangibles	11 452	69 549	8 330	72 671

(b) *Movement Schedule*

	Land and Buildings	Groundwater Monitoring Wells	Surface Water Monitoring Network	Waste Disposal Stations	Patawalonga Seawater Circulation	Plant and Equipment
Gross Carrying Value:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	4 583	18 145	2 473	1 383	20 545	6 626
Additions	-	-	-	-	31	365
Transfers between classes	1	-	(1)	-	-	-
Disposals	-	-	-	-	-	(585)
Net revaluation increments	-	-	2	-	-	-
Balance as at 30 June	4 584	18 145	2 474	1 383	20 576	6 406
Accumulated Depreciation:						
Balance as at 1 July	(185)	(672)	-	(252)	(877)	(4 670)
Transfers between classes	-	-	-	-	-	-
Disposals	-	-	-	-	-	459
Depreciation and amortisation	(41)	(584)	(58)	(63)	(354)	(580)
Balance as at 30 June	(226)	(1 256)	(58)	(315)	(1 231)	(4 791)
Carrying Amount:						
As at 30 June	4 358	16 889	2 416	1 068	19 345	1 615

	Salinity Disposal Schemes	Work in Progress	Internally Dvlpd Intangible Assets	Externally Acquired Intangible Assets	2008 Total
Gross Carrying Value:	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	20 031	939	3 520	2 756	81 001
Additions	-	1 033	359	215	2 003
Transfers between classes	-	(227)	227	-	-
Disposals	-	-	-	-	(585)
Net revaluation increments	-	-	-	-	2
Balance as at 30 June	20 031	1 745	4 106	2 971	82 421
Accumulated Depreciation:					
Balance as at 1 July	(697)	-	(880)	(97)	(8 330)
Transfers between classes	-	-	-	-	-
Disposals	-	-	-	-	459
Depreciation and amortisation	(349)	-	(293)	(62)	(2 384)
Balance as at 30 June	(1 046)	-	(1 173)	(159)	(10 255)
Carrying Amount:					
As at 30 June	18 985	1 745	2 933	2 812	72 166

(c) *Key Features*

The Balance Sheet includes those non-current assets where identification, ownership, control and valuations can be reliably determined. Note 2(n) outlines the policy on non-current acquisition and recognition. Further details are provided hereunder in respect of specific assets.

Asset Revaluations

No assets were independently revalued during the year ending 30 June 2008. The following table details the revaluations undertaken in recent years for each class of asset.

<i>Asset Class</i>	<i>Date of Last Independent Revaluation</i>	<i>Name of Valuer</i>
Land and buildings	30 June 2003	Valcorp Pty Ltd
Groundwater monitoring wells	30 June 2006	GHD Pty Ltd
Surface water monitoring network	30 June 2007	Valcorp Pty Ltd
Waste disposal stations	30 June 2003	Valcorp Pty Ltd
Patawalonga seawater circulation and Barcoo	1 January 2005	Currie and Brown (Australia) Pty Ltd
Plant and equipment*	-	-
Salinity disposal schemes	30 June 2005	Currie and Brown (Australia) Pty Ltd

* Plant and Equipment have been brought to account at cost or at officers' valuation for initial recognition purposes.

Intangible Assets

An intangible asset for water licences has been recognised at 30 June 2008. The asset is comprised of water licences acquired in the market place, together with licences acquired for nil consideration. Also refer to Notes 2(s) and 22.

- *Water Licences – Acquired in the Market*

While the acquisition and transfer of water licences for environmental purposes are generally expensed when such expenditure is incurred, there may be points during which the nature of such assets is different/transformed due to policy decisions. This applies to water licences, which have been acquired in the market place to 30 June 2008. Ultimately these licences will be applied for environmental purposes and the accounting treatment will be to expense the purchases.

- *Water Licences – Acquired at No Cost*

An intangible asset for water licences has been recognised.

The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.

- *Intangible Assets (Computer software)*

The internal development of software is capitalised by the Department 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 \$10 000, in accordance with APF III APS 2.15. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised. The Department has capitalised the internal development of software for the Water Information and Licensing and Management Application system (WILMA). In addition, certain costs have been capitalised in respect of the Natural Resources Management Information System and are included in Work in Progress.

Assets Not Recognised

- *Acquisition of Water Licences for Environmental Flows*

While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2008 (refer Note 22), the acquisition and transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred (refer previous comments here above).

The decision not to capitalise these expenditures is linked to the provisions of the Intergovernmental Agreement (the Agreement) signed in June 2004, to which the state of South Australia is a party.

The Agreement gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray Business Plan is provided for under clause 13 of the Agreement and describes how the actions and milestones in the Agreement are to be achieved.

The Department is acting to meet the agreed milestones and has acquired water licences for transfer to the eligible measures register and subsequently to the environmental measures register, consistent with this objective.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences, together with other financial investments in eligible and environmental measures, have been expensed on the basis that the future economic benefits attaching to these transactions are not expected to flow directly to the Department. This excludes water licences that have been subject to temporary trading during the reporting period.

It is acknowledged that the accounting for water licences represents an emerging set of accounting issues, including the accounting for intangible assets. These will likely be further impacted by future developments surrounding the transition of the MDBC to the newly established Murray-Darling Basin Authority (MDBA), together with the impact of the Commonwealth legislation passed, principally the Water Act 2007, and the Agreement on Murray-Darling Basin Reform (refer Note 32).

- *Upper South East Drainage Scheme*

The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Income Statement in the form of employee expenditures, operating costs and grant payments and are not capitalised.

Salt Interception Schemes

The Department receives funding from the National Action Plan for Salinity and Water Quality, and contributes to the construction of the salt interception assets for the Bookpurnong and Loxton schemes. Upon completion these assets are managed and maintained by the MDBC, and Department funds its share of these costs.

The future economic benefits that will be derived from these assets are expected to be received by the MDBC and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Income Statement in the form of employee expenditures, operating costs and grant payments.

22. Intangible Assets			2008	2007
Internally Developed Intangible Assets:			\$'000	\$'000
Internally developed computer software			4 106	3 520
Accumulated amortisation			1 173	880
Total Internally Developed Intangible Assets			2 933	2 640
Externally Acquired Intangible Assets:				
Computer and water licences			2 971	2 756
Accumulated amortisation			159	97
Total Acquired Intangible Assets			2 812	2 659
Total Intangible Assets			5 745	5 299

23. Payables	SA Govt	Non-SA Govt	2008	2007
Current:	\$'000	\$'000	\$'000	\$'000
Creditors and accrued expenses	4 795	1 958	6 753	3 719
Employment on-costs	360	359	719	808
Total Current Payables	5 155	2 317	7 472	4 527
Non-Current:				
Employment on-costs	481	483	964	903
Total Non-Current Payables	481	483	964	903
Total Payables	5 636	2 800	8 436	5 430

Interest Rate Risk and Credit Risk

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

24. Employee Benefits			2008	2007
Current:			\$'000	\$'000
Annual leave			2 825	2 535
Long service leave			481	417
Accrued salaries and wages			989	648
Total Current Employee Benefits			4 295	3 600
Non-Current:				
Long service leave			9 137	7 932
Total Non-Current Employee Benefits			9 137	7 932
Total Employee Benefits			13 432	11 532

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is \$5 014 000 (\$4 408 000) and \$10 101 000 (\$8 835 000) respectively.

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

25. Provisions			2008	2007
Current:			\$'000	\$'000
Provision for workers compensation			162	133
Total Current Provisions			162	133
Non-Current:				
Provision for workers compensation			426	370
Total Non-Current Provisions			426	370
Total Provisions			588	503
Carrying amount at 1 July			503	679
Additional provisions (reduction in provision) recognised			245	57
Amounts used			(160)	(233)
Carrying Amount at 30 June			588	503

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

26. Unrecognised and Contractual Commitments**Operating Lease Commitments**

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2008	2007
	\$'000	\$'000
Within one year	2 664	2 256
Later than one year but not later than five years	7 826	7 027
Later than five years	5 123	6 534
Total Operating Lease Commitments	15 613	15 817

The Department's operating leases are non-cancellable and relate to office accommodation with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities in the financial report are payable as follows:	2008	2007
	\$'000	\$'000
Within one year	12 029	11 231
Later than one year but not later than five years	6 892	9 376
Total Remuneration Commitments	18 921	20 607

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

Other Commitments

Other expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	2008	2007
	\$'000	\$'000
Within one year	48 424	25 925
Later than one year but not later than five years	31 632	8 547
Total Other Commitments	80 056	34 472

The Department's other commitments are for agreements for National Red Imported Fire Ant Eradication Program in Queensland, projects under the STRMF where funds are payable to other agencies undertaking work on behalf of the Department, contributions to MDBC, infrastructure costs associated with the Living Murray - Water Recovery program under inter-government agreements and management of biodiversity assets under the *Upper South East Dryland Salinity and Flood Management Act 2002*.

27. Contingent Assets and Liabilities

The Department is not aware of any contingent assets or liabilities. In addition the Department has made no guarantees.

28. Remuneration of Board and Committee Members

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

Centre for Natural Resource Management Board

D Calvert*	R Lewis#	N Power#	C Reed*
R Hill*	N K Martin*	J Radcliffe	Y Sneddon

Environmental Management Advisory Group - Upper South East

C England	M Geddes	A Aldersey#	M Bachmann#	M DeJong	G Ganf*
J Hutson*	R Johnson#	R Merry*	S Mustafa#	J Schilling#	J Schulz*
S Vines#	J White*	G Wood#	D Willis#	G Mackenzie#	

Ministerial Advisory Committee on Branched Broomrape

J Arney	D Cartwright#	J Klitscher	R Marks	M Thiele	J McGorman*
J Berger	M Cole*	F MacLeod#	J Marszal*	P Warren#	E Nicholls

Natural Resource Management Council Members and Sub-Committee

W Bell	S Starick	K Stokes	D Mitchell	C Dodd*	M Ah Chee
M Bouchee	R Wickes*	G Webster	J Pedler	T Hartman#	J McKay
A Chesire*	G Gates	M Dennis	F Simes	C Ireland	M Vast
K Lester	A Crisp*	D Haseldine	F Vickery	K Lester	D C Walker
D Mutton	N Crossman*	H MacDonald	C Woolford	G Lewis*	H Windlass
V Russell	T Moore	A Todd*	J Chester#	K Wanganen*	C R Jackson
A Seidel	P Ridgeway*	N K Martin	L Crocker	H Davey*	G Cooley

Pastoral Board

B Bartsch#	V Linton#	B Anderson#	L Loan#
I Iwanicki	M McBride	B Bruce#	J Mould
D Lillecrapp	R Wickes	J Corin*	A Oldfield

South Australian Dryland Salinity Board[^]

S Starick	A Crisp	J Darling	R Smyth	L Broster*	D Chittleborough#
P Cole#	G Gale#	J Hannay#	M Healey#	B Muday*	

South East Water Conservation and Drainage Board Act Review Reference Group

F Aslin	N K Martin	J Osborne*	M Talanskas#
S Kidman	B McLaren	J Ross*	

Upper South East Program Board

P Alexander#	A Gargett#	C Johnson	N Power#	R Wickes
M Bolster	J Hosking#	S Kokotis#	C Schweizer*	D Willis#
C England	A Jessup#	J Osborne	G Stopp	

* Members who have elected not to receive payments during 2007-08.

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.

[^] South Australian Dryland Salinity Board ceased 28 August 2007.

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

	Number of Members 2008	Number of Members 2007
\$0 - \$9 999	53	53
\$20 000 - \$29 999	1	1
Total Number of Members	54	54

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$109 000 (\$121 000).

Amounts paid to a superannuation plan for board/committee members was \$7000 (\$8000).

Travel allowances or reimbursements are not included as remuneration as it is considered to be a reimbursement of direct out-of-pocket expenses.

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.

29. Cash Flow Reconciliation

Reconciliation of Cash - Cash at 30 June 2008 as per:

	2008	2007
	\$'000	\$'000
Cash Flow Statement	57 925	27 578
Balance Sheet (refer also Note 18)	57 925	27 578

Reconciliation of Net Cash Provided by Operating Activities to Net Cost of Providing Services

Net cash provided by operating activities	32 350	17 380
Less: Revenues from SA Government	(96 855)	(93 469)
Add (Less): Non-Cash Items:		
Depreciation and amortisation expense of non-current assets	(2 384)	(2 581)
Bad debts expense	(47)	(11)
(Loss) Gain on disposal of non-current assets	(15)	29
(Loss) Gain on donated assets	(111)	-
Movement in Assets and Liabilities:		
Increase in receivables	3 888	255
Increase (Decrease) in inventories	133	(8)
Increase in payables	(3 006)	(480)
Increase in employee benefits	(1 900)	(1 347)
(Increase) Decrease in provisions	(85)	176
Net Cost of Providing Services	(68 032)	(80 056)

30. Financial Risk Management

The Department has significant non-interest bearing assets and liabilities. 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.

Ageing Analysis of 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.

	Past Due By			Total \$'000
	Overdue for less than 30 Days \$'000	Overdue for 30-60 Days \$'000	Overdue for more than 60 Days \$'000	
2008				
Not Impaired:				
Receivables	8 021	706	194	8 921
Impaired:				
Receivables	-	-	(63)	(63)
2007				
Not Impaired:				
Receivables	4 601	377	124	5 102
Impaired:				
Receivables	-	-	(85)	(85)

Receivable amounts disclosed here exclude amounts relating to statutory receivables. In government, certain rights to receive 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, audit receivables etc they would be excluded from the disclosure. They are carried at cost.

31. Restrictions on Contributions Received

The Department received contributions from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2008 \$60 416 000 (\$30 936 000) of contributions, which have been recognised as revenues in the Income Statement, are yet to be spent in the manner specified by the contributors.

32. Events After Balance Date

(a) Intergovernmental Agreement on Murray-Darling Basin Reform

On the 3 July 2008, the Commonwealth, States of South Australia, New South Wales, Victoria, Queensland and the Australian Capital Territory entered into an Intergovernmental Agreement (IA), being the Agreement on Murray-Darling Basin Reform. The IA is an undertaking by governments to implement necessary reforms to meet the current needs of the Murray-Darling Basin and affirms the primacy of a Basin Plan in relation to key provisions in the *Water Act 2007*.

The IA also sets out the various roles and responsibilities of parties under a revised governance structure, including the establishment of a new MDBA which is due to commence on 1 November 2008. The MDBA replaces its predecessor, the MDBC.

There are significant legal processes underpinning the implementation of the new IA, the key elements of which are:

- the amendment of the Murray-Darling Basin Agreement
- the amendment to the *Water Act 2007*
- the amendment of existing Basin State Murray-Darling Basin Acts to become referral Acts. The latter will require amendment in order to refer powers to the Commonwealth in order to make necessary amendments to the *Water Act 2007*
- the Intergovernmental Agreement on referrals
- amendment of other legislation.

There are a number of important transitional arrangements, which will need to take place, including provisions dealing with the following:

- the undertaking by the Commonwealth (Part 5 of the IA) that the Basin States will not bear additional net costs as a consequence of the reforms agreed between the parties and the implementation of the *Water Act 2007*
- the recommitment of the parties to the IA to the end of 2010-11 for the purpose of making their funding contributions to the MDBA, for funding necessary functions that were previously performed by the MDBC
- recognising the joint interests of jurisdictions in the River Murray operation assets currently managed by the MDBC to be managed in accordance with the management agreements between the MDBA and each Basin State. Note 3 refers to the Department's investment in joint entity, being the MDBC at 30 June 2008.

(a) *Intergovernmental Agreement on Murray-Darling Basin Reform (continued)*

The IA also provides for funding of Basin priority projects, including up to \$610 million to South Australia to upgrade irrigation infrastructure and improve river management, including a notional \$110 million for private irrigators to upgrade infrastructure, \$80 million for water purchasing from willing sellers and \$200 million to address the problems with the Coorong and the Lower Lakes. It is envisaged that certain of these projects will be under the control of the Department, commencing in 2008-09.

(b) *Transfer of the Stormwater Management Authority from 1 July 2008*

In June 2008, the Government announced that the functions of 'the Minister' for the purposes of each provision of Schedule 1A of the *Local Government Act 1999* would be reassigned to the Minister for Water Security, as from 1 July 2008.

The effect of this announcement is to transfer the administrative support for the Stormwater Management Authority from the Department for Transport, Energy and Infrastructure to the Office for Water Security within DWLBC. This is envisaged to include the requirement to account for and report on the financial performance, position, cash flows and equity of the Stormwater Management Fund, being the relevant reporting entity.

The Stormwater Management Fund will constitute an administered item of the DWLBC, to be included within the DWLBC's general-purpose financial report. In addition, as a public authority, a separate general purpose financial report will be required to be delivered in respect of the Stormwater Management Fund that will be subject to audit by the Auditor-General on an annual basis.

Administered Income Statement for the year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
INCOME:			
Revenues from SA Government	A2	15 075	18 350
Revenues from fees and charges	A3	6 534	7 121
Grant revenues	A4	40 313	44 232
Other revenues	A5	11 416	2 250
Total Income		73 338	71 953
EXPENSES:			
Employee benefits expenses		260	237
Supplies and services		58	276
Grants and subsidies	A6	60 970	57 852
Payments to consolidated account		173	408
Payments to Natural Resources Management Boards	A7	13 051	11 496
Payments to South Eastern Water Conservation Drainage Board		1 922	1 922
Total Expenses		76 434	72 191
NET OPERATING DEFICIT		(3 096)	(238)

Operating deficit is attributable to SA Government as owner

Administered Balance Sheet as at 30 June 2008

	Note	2008 \$'000	2007 \$'000
CURRENT ASSETS:			
Cash	A8	30 414	40 046
Receivables	A9	3 682	3 661
Other current assets		162	224
Total Current Assets		34 258	43 931
NON-CURRENT ASSETS:			
Interest in joint venture	A10	647 046	614 919
Land	A11	32 938	32 938
Total Non-Current Assets		679 984	647 857
Total Assets		714 242	691 788
CURRENT LIABILITIES:			
Payables	A12	4 447	1 898
Employee benefits		-	1
Total Current Liabilities		4 447	1 899
Total Liabilities		4 447	1 899
NET ASSETS		709 795	689 889
EQUITY:			
Asset revaluation reserve		184 839	161 837
Retained earnings		524 956	528 052
TOTAL EQUITY		709 795	689 889

Total equity is attributable to SA Government as owner

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

		Asset Revaluation Reserve	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2006		9 355	66 652	76 007
Net Result for 2006-07		-	(238)	(238)
Balance at 30 June 2007		9 355	66 414	75 769
Error Correction - Receivables	A1(b)(ii)	-	(799)	(799)
Error Correction - Joint Venture	A10	152 482	462 437	614 919
Restated Balance at 30 June 2007		161 837	528 052	689 889
Gain on revaluation of interest in joint venture during 2007-08		23 002	-	23 002
Total Recognised Income for 2007-08		23 002	-	23 002
Net Result for 2007-08		-	(3 096)	(3 096)
Balance at 30 June 2008		184 839	524 956	709 795

All changes in equity are attributable to SA Government as owner

Administered Cash Flow Statement for the year ended 30 June 2008

		2008 Inflows (Outflows)	2007 Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(260)	(237)
Payments for supplies and services		(58)	(2 221)
Payments for grants and subsidies		(60 970)	(56 872)
Payments to Natural Resources Management Boards		(10 676)	(11 400)
Payments to South Eastern Water Conservation Drainage Board		(1 922)	(1 922)
Cash used in Operations		(73 886)	(72 652)
CASH INFLOWS:			
Fees and charges		6 512	5 287
Grant receipts		40 313	44 232
Other receipts		2 354	2 537
Cash generated from Operations		49 179	52 056
Receipts from SA Government		15 075	18 350
Cash generated from SA Government		15 075	18 350
Net Cash used in Operating Activities	A8	(9 632)	(2 246)
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET DECREASE IN CASH		(9 632)	(2 246)
CASH AT 1 JULY		40 046	42 292
CASH AT 30 JUNE	A8	30 414	40 046

All GST receipts and payments are recognised in the Department's Cash Flow Statement.

Administered Program Schedule of Income and Expenses for the year ended 30 June 2008

	NRM Fund \$'000	Qualco Sunlands \$'000	Pastoral Board \$'000	National Action Plan for Salinity and Water Quality \$'000	Natural Heritage Trust Grants \$'000	Mt Lofty Ranges Catchment Support \$'000
Income						
Revenues from SA Government	-	250	9	11 243	-	-
Revenues from fees and charges	6 534	-	-	-	-	-
Grant revenues	5 705	-	-	10 978	19 977	100
Other revenues	155	-	-	1 831	306	-
Total Administered Revenues	12 394	250	9	24 052	20 283	100
Expenses						
Employee benefits expenses	1	-	-	-	-	-
Supplies and services	13	-	-	62	(19)	2
Grants and subsidies	-	-	-	37 814	20 464	170
Payments to consolidated account	-	-	-	-	-	-
Payments to Natural Resource Management Boards	13 051	-	-	-	-	-
Payments to South East Water Conservation Drainage Board	-	-	-	-	-	-
Total Administered Expenses	13 065	-	-	37 876	20 445	172
Operating (Deficit) Surplus	(671)	250	9	(13 824)	(162)	(72)

	Centre for NRM \$'000	NRM Alliance Fund \$'000	DWLBC Corporate Admin Items \$'000	2008 \$'000	2007 \$'000
Income					
Revenues from SA Government	-	-	3 573	15 075	18 350
Revenues from fees and charges	-	-	-	6 534	7 121
Grant revenues	3 319	234	-	40 313	44 232
Other revenues	-	-	9 124	11 416	2 250
Total Administered Revenues	3 319	234	12 697	73 338	71 953
Expenses					
Employee benefits expenses	-	-	259	260	237
Supplies and services	-	-	-	58	276
Grants and subsidies	2 894	-	(372)	60 970	57 852
Payments to consolidated account	-	-	173	173	408
Payments to Natural Resource Management Boards	-	-	-	13 051	11 496
Payments to South East Water Conservation Drainage Board	-	-	1 922	1 922	1 922
Total Administered Expenses	2 894	-	1 982	76 434	72 191
Operating (Deficit) Surplus	425	234	10 715	(3 096)	(238)

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Administered Accounting Policies

The Department's accounting policies are outlined in Note 2. The policies outlined in Note 2 apply to both the Department's controlled and administered items, unless otherwise noted below.

The Administered Items reflect an accumulation of the balances of each of the individual Administered Items. Transactions between individual administered items are not eliminated from the administered financial statements.

Some programs have been restructured to assist in the interpretation of the financial transactions relating to the NRM Fund.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- Government appropriations (controlled and administered allocated in respect of the regional Natural Resource Management Boards);
- Water levies;
- Penalties relating to water levies;
- Expiation fees and other penalties.

Further commentary regarding these requirements under the NRMA is provided hereunder.

(a) Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

The balance of the NRM Fund at 30 June 2008 was \$2 600 000 (\$1 148 000).

(b) Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

Transactions relating to the NRM Boards are separately shown against this program description, which reflects both revenues and expenses administered by the Department in respect of the NRM Boards. These are:

(i) Grants

Grants include monies that had been previously distributed under the Animal Plant Control Commission and the Soil Conservation Council, for which the Department received appropriations and paid to the Regional NRM Boards in the form of grants were as follows:

	2008	2007
Regional NRM Board	\$'000	\$'000
SA Murray-Darling Basin NRM Board	170	593
South East NRM Board	197	365
Adelaide and Mount Lofty Ranges NRM Board	150	315
Northern and Yorke NRM Board	560	1 036
Kangaroo Island NRM Board	383	383
Alinytjara Wilurara NRM Board	684	455
South Australian Arid Lands NRM Board*	700	200
Eyre Peninsula NRM Board	424	424
	3 268	3 771

* Total payments distributed to the NRM Boards included an additional \$400 000 received by the Department, included in Revenues from Government. This represented administered appropriations received by the Department in respect of the South Australian Arid Lands NRM Board. A further \$927 000 was applied under the National Action Plan Priority Rounds 1 and 2. Total payments made from these sources of income during 2007-08 were \$4 595 000. Refer Note A7.

(ii) Water Levies

Water levies are collected by the Department for prescribed water resources in regional NRM Boards under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRMA.

Levies raised by the Department during 2007-08 were \$5 039 000 (\$6 650 000). Unpaid levies at the end of the reporting period of \$1 095 000 (\$403 000) have been recognised as current receivables. Receivables factor in adjustments in respect of financial relief provided to River Murray licensees, to offset 68 percent of their liability to pay the NRM water levies.

(ii) *Water Levies (continued)*

Levies received, but not yet paid to the regional NRM Boards at the end of the reporting period were \$293 000 (\$174 000). In addition, ex-gratia payments of \$2 360 000 was payable to the SA Murray-Darling Basin NRM Board. During the reporting period the following levies were raised in respect of the regions for which the levies were declared:

	2008	2007
Regional NRM Board*	\$'000	\$'000
SA Murray-Darling Basin NRM Board	2 566	4 412
South East NRM Board	1 604	1 587
Adelaide and Mount Lofty Ranges NRM Board	405	383
Eyre Peninsula NRM Board	367	248
SA Arid Lands NRM Board	97	20
	5 039	6 650

* Does not include penalties and other payments made or payable to regional NRM Boards. Refer Note A3.

Error Correction

An error correction of \$799 000 has been disclosed in the Statement of Changes in Equity in respect of the 2006-07 financial year. This disclosure comprises an adjustment to the carrying value of Accounts Receivables that were previously overstated in the Department's Water Information and Licensing Management Application system.

The error corrections has been retrospectively restated in accordance with the provisions of AASB 108. The restatement has been made to the earliest prior period presented insofar as it is determined practicable for the purposes of AASB 108.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

In addition, to the penalties raised and received in respect of the NRMA, penalties were also received (though not raised) during 2007-08 under subsection 133(1)(a) of the *Water Resources Act 1997* (WR Act).

Subsection 115(5) of the NRMA and Regulation 9(d) of the Natural Resources Management (Financial Provisions) Regulations 2005 provide that section 116 of the NRMA applies to, and in relation to, a penalty declared under section 115 as if it were a water levy. The effect is that the penalty (and including any interest) so declared must be paid to the regional NRM Board for the region in respect of which the penalty was declared.

The levies pursuant to subsection 115(5) were paid to the regional NRM Boards, with the exception of unpaid penalty charges at the end of the reporting period of \$2 343 000 (\$1 553 000). Of this amount, \$1 247 000 (\$1 412 000) related to penalties raised under the WR Act and \$1 096 000 (\$141 000) under the NRMA.

Penalties received under the NRMA are payable to the regional NRM Boards and at 30 June 2008 the amount payable was \$558 000 (\$96 000).

Penalties declared under subsection 133(1)(a) of the WR Act continued to be received during 2007-08, although no new penalties were raised. Penalties received under the WR Act and payable to the Treasurer's Consolidated Account at 30 June 2008 were \$330 000 (\$158 000).

(iv) *Reimbursement of Payroll Tax*

NRM Boards are compensated for the anticipated payroll tax expense they incur, with provision having been made in the Administered Items of the Department's budget on an ongoing basis since 2004-05. An appropriation of \$993 000 (\$416 000) was received to fund the payroll tax expenses of the NRM Boards for 2007-08.

(v) *Expiation Fees and other Penalties under the NRMA*

Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards. No fees and/or penalties of this type were collected during 2007-08.

(c) *Qualco Sunlands*

The *Ground Water (Qualco-Sunlands) Control Act 2000* (GW(QS)C Act) established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. The Department collects levies and pays instalments in accordance with the provisions of the GW(QS)C Act.

(d) *Land Technologies Alliances*

An arrangement exists between the Department, South Australian Research and Development Institute, Commonwealth Scientific and Industrial Research Organisation, the Department of Primary Industries of Victoria and the University of Adelaide to review and project manage certain project development, staff development and training across each organisation. The Department administers funds on behalf of these organisations.

(e) National Action Plan for Salinity and Water Quality

The National Action Plan (NAP) is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

During the reporting period appropriations of \$11 243 000 (\$14 252 000) were received from the SA Government.

(f) Natural Heritage Trust and Natural Heritage Trust Extension

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the Natural Heritage Trust Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change.

(g) Mount Lofty Ranges Catchment Support

The Mount Lofty Ranges Catchment Support Group was established to implement the Integrated Natural Resource Management program for Mount Lofty and Adelaide regions. Functions include the disbursement of grants to local communities, NRM Boards, local Government and other SA Government Departments together with the management of associated projects. Funds are disbursed subject to the NAP and NHT bilateral processes.

(h) Centre for Natural Resource Management

The Centre for Natural Resource Management (Centre) with its Investment Advisory Board (Board) develops and maintains partnerships with regional NRM groups, scientists and researchers, business and industry, governments and agencies, so that integrated natural resource management across South Australia is based on world-class research and development. A primary role of the Centre and its Board is to create more sustainable environments through the development of new technologies and industries, which benefit the environment and are economically sustainable.

The Board makes decisions on the disbursement of National Action Plan (NAP) and other funds in relation to its portfolios of identified regional priority projects, and to the timeliness and quality of research provider delivery. The Board also oversees the stakeholder engagement process, brokers and builds relationships, alliances and partnerships, and seeks to leverage co-investment against NAP funding.

During the reporting period the Centre received grant revenue of \$3 319 000 (\$3 669 000) from the NAP Priority Rounds 1 and 2 and disbursed \$2 894 000 (\$4 014 000) of these funds as grants and subsidies.

(i) Pastoral Board

Funds applied by the Minister, on the recommendation of the Board for research and publication of techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land. During the reporting period an appropriation of \$9000 (\$9000) was received.

A2. Revenues from SA Government

	2008	2007
	\$'000	\$'000
Recurrent appropriations	3 574	3 854
Appropriations received pursuant to NAP funding	11 243	14 252
Appropriations received for the Minister's salary	258	244
Total Revenues from SA Government	15 075	18 350

Other Funding Provided by the Department of Treasury and Finance

Funding recognised by the Native Vegetation Fund	830	855
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A3. Revenues from Fees and Charges

	SA Govt	Non-SA Govt	2008	2007
	\$'000	\$'000	\$'000	\$'000
Water levies	2 485	2 554	5 039	6 865
Penalties	-	1 479	1 479	237
Other	2	14	16	19
Total Revenues from Fees and Charges	2 487	4 047	6 534	7 121

A4. Grant Revenues

NRM Fund	5 705	-	5 705	3 780
National Action Plan for Salinity and Water Quality	-	10 978	10 978	15 196
Natural Heritage Trust Grants	669	19 308	19 977	21 486
Mt Lofty Ranges Catchment Support	80	20	100	101
Centre for Resource Management	1 985	1 334	3 319	3 669
NRM Alliance Fund	104	130	234	-
Total Grant Revenues	8 543	31 770	40 313	44 232

A5. Other Revenues	SA Govt \$'000	Non-SA Govt \$'000	2008 \$'000	2007 \$'000
NRM Fund	153	2	155	-
National Action Plan for Salinity and Water Quality	1 829	2	1 831	1 807
Natural Heritage Trust Grants	306	-	306	393
Mt Lofty Ranges Catchment Support	-	-	-	50
Interest in Joint Venture	-	9 124	9 124	-
Total Other Revenues	2 288	9 128	11 416	2 250
A6. Grants and Subsidies				
DWLBC Corporate Administration Items	-	(372)	(372)	781
National Action Plan for Salinity and Water Quality	37 395	419	37 814	28 954
Natural Heritage Trust Grants	19 240	1 224	20 464	23 453
Mt Lofty Ranges Catchment Support	170	-	170	435
Centre for Resource Management	1 805	1 089	2 894	4 014
Qualco Sunlands	-	-	-	215
Total Grants and Subsidies	58 610	2 360	60 970	57 852
A7. Payments to Natural Resources Management Boards				
Water Levies	6 820	-	6 820	5 826
Grants to NRM Boards	4 595	-	4 595	4 695
Payroll tax	1 174	-	1 174	879
Penalties payable	462	-	462	96
Total Payments to Natural Resources Management Boards	13 051	-	13 051	11 496
A8. Administered Cash Flow Reconciliation			2008	2007
Reconciliation of cash - Cash at 30 June as per:			\$'000	\$'000
Natural Resources Management Fund			2 600	1 148
Qualco Sunlands			563	303
Land Technology Alliances			2	2
Pastoral Board			45	36
National Action Plan for Salinity and Water Quality			20 120	34 227
Natural Heritage Trust Grants			754	754
Natural Heritage Trust Extension			3 042	907
National Landcare Program			1 529	2 408
Mount Lofty Ranges Catchment Support			(77)	(68)
Natural Resource Management Alliance Fund			10	-
Centre for Natural Resource Management			260	(36)
The Department's Corporate Administrative Items			1 566	365
Administered Balance Sheet			30 414	40 046
Administered Cash Flow Statement			30 414	40 046
Reconciliation of Net Cash used in Operating Activities to Operating Deficit:				
Net cash used in operating activities			(9 632)	(2 246)
Movement in Assets/Liabilities:				
Increase in joint venture			9 124	-
Increase in receivables			22	1 416
(Decrease) Increase in other assets			(62)	50
(Increase) Decrease in payables			(2 549)	524
Decrease in employee benefits			1	18
Operating Deficit			(3 096)	(238)
A9. Receivables	SA Govt \$'000	Non-SA Govt \$'000	2008 \$'000	2007 \$'000
Receivables reflected as current assets at 30 June comprised the following:				
Water Levies	-	1 095	1 095	403
Penalties	-	2 343	2 343	1 553
South Eastern Water Conservation and Drainage Board	-	-	-	77
Qualco Sunlands	-	-	-	10
National Action Plan for Salinity and Water Quality	-	-	-	20
Natural Heritage Trust Extension	-	20	20	1 533
Mt Lofty Ranges Catchment Support	-	-	-	65
NRM Alliance Fund	104	120	224	-
Total Receivables	104	3 578	3 682	3 661

A10. Interest in Joint Venture

Following an assessment of the relevant principles, accounting treatment and legislative developments during 2007-08, the Department has recognised the State of South Australia's equity (ownership) interest in the assets and liabilities of the Murray-Darling Basin Commission (MDBC) in the 2007-08 financial statements, as from 1 July 2006. The accounting approach has been to recognise the equity interest in the MDBC as a joint interest in an entity (pursuant to AASB 131) and to equity account for this interest.

The equity interest (pursuant to a meeting of the MDBC Finance Committee held in March 2003) is 26.67 percent. Equity in the MDBC is limited to those governments (SA, NSW, Victoria and the Commonwealth), which have contributed to the construction and planned (major) maintenance (capital component) of the River Murray Water infrastructure assets. As Queensland and the ACT contributions apply only to operating activities they have been deemed not to share in the equity of the MDBC.

Equity shares are not adjusted to reflect annual budget contributions to investigation and construction works and planned (major) maintenance.

This accounting decision constitutes an omission in prior years and hence the Department has reported the first time recognition of its equity interest as an accounting error at 1 July 2006. The effect on the 2007-08 administered items was:

- Investments in associated joint ventures impacted by \$647.046 million (\$614.919 million)
- Share of gain in joint venture associates impacted by \$9.124 million (\$4.622 million)
- Retained earnings impacted by \$471.561 million (\$462.437 million)
- Asset revaluation reserve impacted by \$175.485 million (\$152.482 million).

Further information about the Department's interest in the MDBC joint venture is discussed in the Department's controlled items (Note 3).

A11. Land

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989* (PLM&C Act). The unimproved value of land subject to these leases was revalued at \$32 938 000 as at 1 November 2005 by Robin Norris, Senior Valuer, of the former Department for Administrative and Information Services giving rise to an asset revaluation reserve of \$9 355 000.

The revenue generated by the pastoral leases is recorded within the Department's Controlled items (Note 17), in accordance with the PLM&C Act, to cover the costs incurred by the Department in administering the pastoral leases.

A12. Payables

	SA Govt	Non-SA Govt		
Payables reflected as current liabilities at	\$'000	\$'000	2008	2007
30 June comprised the following:	\$'000	\$'000	\$'000	\$'000
Penalties - Treasurer's Consolidated Account	330	-	330	158
Penalties - Regional NRM Boards	558	-	558	96
Payroll tax - Regional NRM Boards	358	-	358	168
Qualco - Treasurer's Consolidated Account	250	-	250	250
National Action Plan for Salinity and Water Quality	8	-	8	379
Natural Heritage Trust Extension	66	-	66	165
National Landcare Program	-	4	4	4
Mt Lofty Ranges Catchment Support	-	-	-	2
Centre for Natural Resource Management	-	-	-	130
Water Licenses	2 653	220	2 873	546
Total Payables	4 223	224	4 447	1 898

APPENDIX TO
AUDITOR-GENERAL'S
ANNUAL REPORT

TREASURER'S
FINANCIAL STATEMENTS

(Pursuant to section 22 of the Public Finance and Audit Act 1987)

2007-08

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STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget \$	Actual \$
RECEIPTS		
Taxation	3 065 774 000	3 378 758 398
Commonwealth General Purpose Grants	3 854 600 000	3 916 645 895
Commonwealth Specific Purpose Grants	46 829 000	47 041 544
Contributions from State Undertakings	411 736 000	443 391 227
Fees and Charges	272 106 000	296 002 542
Recoveries	68 808 000	151 470 501
Royalties	125 800 000	143 414 845
Other Receipts	276 154 000	326 920 588
	<hr/>	<hr/>
Total Receipts	8 121 807 000	8 703 645 540
	<hr/>	<hr/>
PAYMENTS		
Appropriation Act	8 356 078 000	8 460 885 761
Specific Appropriation Authorised in Various Acts	124 675 000	125 343 255
	<hr/>	<hr/>
Total Payments	8 480 753 000	8 586 229 016
	<hr/>	<hr/>
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT (+) SURPLUS (-)	358 946 000	-117 416 524
	<hr/> <hr/>	<hr/> <hr/>

The surplus for 2007-08 has been applied, pursuant to section 16(4) (a) of the *Public Finance and Audit Act 1987*, to reduce the level of debt serviced from the Consolidated Account.

KEVIN FOLEY, Treasurer

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget 2007-08	Actual 2007-08
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	1 033 000 000	1 085 903 362
Commonwealth Places Mirror Payroll Tax ^(a)	18 100 000	19 004 414
Stamp Duties	1 188 630 000	1 470 115 720
Commonwealth Places Mirror Stamp Duties ^(a)	900 000	606 053
Land Tax	395 500 000	365 890 245
Commonwealth Places Mirror Land Tax ^(a)	1 100 000	1 012 603
Other Taxes on Property	10 000	32 718
Save River Murray Levy	21 800 000	22 002 560
Gaming Machines Tax	295 000 000	301 059 753
Contribution from Lotteries Commission of South Australia	77 837 000	81 820 023
Contribution from Casino Operations	21 700 000	18 500 444
Contribution from South Australian Totalizator Agency Board	10 500 000	10 632 214
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	1 497 000	2 178 289
Recoup from Recreation and Sport Fund	200 000	—
Total Taxation Receipts	3 065 774 000	3 378 758 398
COMMONWEALTH GENERAL PURPOSE GRANTS		
Competition Grants	—	3 024 045
GST Revenue Grants	3 854 600 000	3 913 621 850
Total Commonwealth General Purpose Payments	3 854 600 000	3 916 645 895
COMMONWEALTH SPECIFIC PURPOSE GRANTS ^(b)		
Companies Code - Fees	12 885 000	13 022 707
Concessions to Pensioners and Others	20 345 000	20 378 000
Legal Aid	13 599 000	13 640 837
Total Commonwealth Specific Purpose Payments	46 829 000	47 041 544

(a) Taxes akin to State taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the State.

(b) Refers only to those Commonwealth Specific Purpose Grants paid to the Consolidated Account and not those paid directly to agencies.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS TO THE CONSOLIDATED ACCOUNT, 2007-08 - *continued*

	Budget 2007-08	Actual 2007-08
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Attorney-General's Department —		
Income Tax Equivalent	11 000	—
Austraining—		
Income Tax Equivalent	—	118 683
Defence SA—		
Local Government Rate Equivalent	160 000	88 627
Department of the Premier and Cabinet —		
Income Tax Equivalent	70 000	—
Department of Trade and Economic Development —		
Dividend	1 124 000	—
Department for Transport, Energy and Infrastructure —		
Dividend	21 773 000	798 081
Income Tax Equivalent	2 928 000	4 407 883
Local Government Rate Equivalent	730 000	602 295
Department of Treasury and Finance —		
Dividend	109 000	—
Distribution Lessor Corporation —		
Dividend	1 472 000	—
Flinders Ports—		
Payments in lieu of other taxes	—	3 179 719
Forestry SA—		
Dividend	19 487 000	22 670 756
Income Tax Equivalent	10 645 000	11 721 215
Funds SA—		
Local Government Rate Equivalent	154 000	—
Generation Lessor Corporation —		
Dividend	304 000	—
HomeStart Finance—		
Dividend	—	2 240 000
Income Tax Equivalent	1 590 000	2 327 530
Land Management Corporation—		
Dividend	28 396 000	61 355 000
Income Tax Equivalent	15 956 000	26 899 409
Local Government Rate Equivalent	257 000	304 685
Lotteries Commission—		
Income Tax Equivalent	7 909 000	8 930 413
Local Government Rate Equivalent	4 000	4 783
Police Security Services—		
Income Tax Equivalent	140 000	—
Private —		
Local Government Rate Equivalent	195 000	193 538

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS TO THE CONSOLIDATED ACCOUNT, 2007-08 - *continued*

	Budget 2007-08	Actual 2007-08
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS - <i>continued</i>		
Public Trustee Office—		
Dividend	1 290 000	1 290 000
Income Tax Equivalent	765 000	1 672 767
Local Government Rate Equivalent	30 000	—
SA Water Corporation—		
Dividend	189 375 000	186 054 000
Income Tax Equivalent	85 742 000	87 710 162
Local Government Rate Equivalent	2 005 000	1 174 362
South Australian Asset Management Corporation—		
Dividend	4 000 000	4 000 000
South Australian Government Employee Residential Properties—		
Dividend	1 156 000	—
Income Tax Equivalent	1 956 000	730 048
South Australian Government Financing Authority—		
Dividend	7 600 000	—
Income Tax Equivalent	3 300 000	14 481 116
TransAdelaide—		
Local Government Rate Equivalent	90 000	57 087
Transmission Lessor Corporation —		
Dividend	572 000	—
West Beach Trust—		
Income Tax Equivalent	441 000	379 068
Total Contributions from State Undertakings	411 736 000	443 391 227
FEES AND CHARGES ^(c)		
Auditor-General's Department - Fees for audit and other sundry receipts	9 137 000	10 344 408
Court and Probate fees	22 999 000	21 066 420
Court fines	31 365 000	16 146 795
Department of Water, Land and Biodiversity Conservation - Natural Resource Management penalties	1 077 000	165 059
Guarantee fees	20 261 000	19 254 478
Infringement Notice Schemes - Expiation fees	65 911 000	84 561 637
Land Services	120 732 000	144 445 355
Small Lotteries	596 000	—
Sundry fees	28 000	18 390
Total Fees and Charges	272 106 000	296 002 542

(c) Refers only to those fees and charges paid to the Consolidated Account.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS TO THE CONSOLIDATED ACCOUNT, 2007-08 - *continued*

	Budget 2007-08	Actual 2007-08
RECEIPTS - <i>continued</i>	\$	\$
RECOVERIES		
Child Abuse Protection Program	200 000	200 000
Contribution to the cost of private plated vehicles	10 000	1 550
Commonwealth Government - Natural Disaster Relief and Recovery Arrangements	—	2 019 000
Department for Transport, Energy and Infrastructure	3 875 000	—
Department of Water, Land and Biodiversity Conservation - Qualco-Sunlands Groundwater	250 000	—
Essential Services Commission of SA	5 383 000	6 881 185
Helicopter service - Recovery of costs and sponsorships	1 050 000	—
Hindmarsh Site Recoveries	—	3 725 000
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	1 500 000	1 500 000
National Tax Equivalent Program	50 000	—
Return of cash to Consolidated Account – Cash Alignment Policy	3 909 000	74 475 454
Return of deposit account balances	—	3 630 465
Return of deposit account balances - Accrual Appropriation Excess Funds	18 800 000	18 800 000
Return of deposit account balances - Superannuation	30 000 000	30 000 000
Sale of evidence/transcripts	1 235 000	974 183
Sale of Government Gazette	158 000	66 679
Sundry recoupments	128 000	142 525
Unclaimed monies	1 775 000	8 523 581
United Water	485 000	530 879
Total Recoveries	68 808 000	151 470 501
ROYALTIES		
Department of Primary Industries and Resources	125 800 000	143 414 845
Total Royalties	125 800 000	143 414 845
OTHER RECEIPTS		
Interest on investments	107 890 000	123 697 133
Interest recoveries from general government entities	7 470 000	7 501 536
Interest recoveries from public non-financial corporations	52 946 000	38 874 893
Interest recoveries private sector	146 000	4 283
Repayment of advances—		
Adelaide Entertainment Centre	3 725 000	—
Administered Items for the Department for Transport, Energy and Infrastructure	172 000	333 699
Department of Health	1 191 000	1 134 636
Department of Primary Industries and Resources	1 000 000	847 580
Department for Environment and Heritage	38 054 000	38 053 589

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2007-08 - *continued*

	Budget 2007-08	Actual 2007-08
RECEIPTS - <i>continued</i>	\$	\$
OTHER RECEIPTS - <i>continued</i>		
Repayment of advances - <i>continued</i>		
Land Management Corporation	107 000	130 003
Lotteries Commission of South Australia	—	511 908
Minister for Education and Children's Services	1 460 000	1 460 000
Renmark Irrigation Trust	195 000	—
SA Country Arts Trust	20 000	40 000
South Australian Housing Trust	20 040 000	19 837 925
South Australian Tourism Commission	169 000	125 554
TransAdelaide	2 690 000	8 071 184
Other	5 000	9 703
Repayment of equity capital contributions—		
Department for Transport, Energy and Infrastructure	35 604 000	35 604 000
Other—		
Attorney-General's Department - Associations Incorporation Act	—	350 661
Mitsubishi Limited Grant payment	—	35 000 000
Other recoveries	160 000	35 000
Sale of land and buildings	3 110 000	15 297 301
Total Other Receipts	276 154 000	326 920 588
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	8 121 807 000	8 703 645 540

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (i) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)

	Budget 2007-08	Actual 2007-08
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
SALARIES AND ALLOWANCES		
Agent-General - <i>Pursuant to Agent-General Act 1901</i>	175 000	177 383
Auditor-General - <i>Pursuant to Public Finance and Audit Act 1987</i>	248 000	252 751
Commissioners of Environment, Resource and Development Court and Commissioners of Industrial Relations - <i>Pursuant to Remuneration Act 1990^(a)</i>	874 000	844 084
Commissioner of Police - <i>Pursuant to Police Act 1988</i>	251 000	335 824
State Coroner and Deputy Coroner - <i>Pursuant to Remuneration Act 1990^(a)</i>	620 000	658 064
Electoral Commissioner and Deputy Electoral Commissioner - <i>Pursuant to Electoral Act 1985</i>	292 000	291 945
Employee Ombudsman - <i>Pursuant to the Industrial and Employee Relations Act 1994</i>	98 000	142 500
Governor - <i>Pursuant to Constitution Act 1934</i>	221 000	364 964
Judges - <i>Pursuant to Remuneration Act 1990</i> —		
Chief Justice	512 000	570 934
Judges and Masters	16 949 000	17 679 169
Magistrates - <i>Pursuant to Remuneration Act 1990^(a)</i>	11 786 000	12 940 262
Members of various Standing Committees - <i>Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991</i>	640 000	669 046
Ombudsman - <i>Pursuant to Ombudsman Act 1972</i>	252 000	235 175
Parliamentary Salaries and Electorate and Expense Allowances—Ministers, Officers and Members of Parliament - <i>Pursuant to Parliamentary Remuneration Act 1990</i>	11 867 000	12 285 689
Senior Judge and Judges of the Industrial Relations Commission - <i>Pursuant to Remuneration Act 1990</i>	1 501 000	2 345 309
Solicitor-General - <i>Pursuant to Solicitor-General Act 1972</i>	443 000	450 149
Valuer-General - <i>Pursuant to Valuation of Land Act 1971</i>	113 000	111 646
Total Salaries and Allowances	<u>46 842 000</u>	<u>50 354 894</u>
OTHER		
Contribution for injuries suffered as a result of the commission of criminal offences – <i>Pursuant to Victims of Crime Act 2001</i>	6 633 000	6 633 000
First Home Owners' Grants - <i>Pursuant to First Home Owner Grant Act 2000</i>	71 200 000	68 355 361
Total Other	<u>77 833 000</u>	<u>74 988 361</u>
TOTAL PAYMENTS AUTHORISED BY VARIOUS ACTS	<u><u>124 675 000</u></u>	<u><u>125 343 255</u></u>

(a) Payments from Consolidated Account relating to Commissioners of Environment, Resource and Development Court and Commissioners of Industrial Relations and State Coroner and Deputy Coroner were previously included in the salaries and allowances of Magistrates. The remuneration of these officers are now shown separately. The 2007-08 budget has been restated to reflect these revised classifications.

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2007-08—continued

	Budget (Appropriation Act 2007)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2007-08
PAYMENTS	\$	\$	\$	\$
Department of the Premier and Cabinet ^(a)	152 701 000	1 646 000	154 347 000	169 548 000
Administered Items for the Department of the Premier and Cabinet	31 964 000	—	31 964 000	30 964 000
Office of Public Employment ^(a)	1 646 000	-1 646 000	—	—
State Governor's Establishment	2 909 000	—	2 909 000	2 939 000
Arts SA	109 602 000	—	109 602 000	110 829 000
South Australian Tourism Commission	46 642 000	—	46 642 000	48 698 000
Minister for Tourism	5 277 000	—	5 277 000	55 277 000
Auditor-General's Department	11 412 000	—	11 412 000	11 338 000
Department of Treasury and Finance	98 924 000	75 000	98 999 000	82 152 000
Administered Items for the Department of Treasury and Finance	1 065 167 000	3 999 000	1 069 166 000	1 135 231 000
Independent Gambling Authority	1 486 000	—	1 486 000	1 486 000
Department of Trade and Economic Development ^(b)	67 366 000	-9 088 000	58 278 000	56 862 000
Office of the Venture Capital Board	2 679 000	—	2 679 000	2 729 000
Port Adelaide Maritime Corporation ^(b)	162 302 000	-144 371 000	17 931 000	17 931 000
Defence SA ^(b)	—	148 995 000	148 995 000	125 125 000
Department of Primary Industries and Resources	164 061 000	—	164 061 000	152 961 000
Administered Items for the Department of Primary Industries and Resources	4 886 000	—	4 886 000	4 794 000
Attorney-General's Department	85 288 000	-1 128 000	84 160 000	85 709 000
Administered Items for Attorney-General's Department	50 841 000	1 128 000	51 969 000	48 083 000
Courts Administration Authority	78 745 000	—	78 745 000	78 996 000
Department for Correctional Services	159 845 000	—	159 845 000	159 943 000
South Australia Police	490 795 000	—	490 795 000	481 263 000
Administered Items for South Australia Police	354 000	—	354 000	354 000
State Electoral Office	2 253 000	—	2 253 000	2 225 000
Department of Health	1 893 087 000	—	1 893 087 000	1 878 651 000
Department for Families and Communities	722 219 000	—	722 219 000	750 860 000
Administered Items for the Department for Families and Communities	125 949 000	—	125 949 000	125 546 000
Department of Education and Children's Services	1 700 459 000	—	1 700 459 000	1 738 690 000
Administered Items for the Department of Education and Children's Services	157 399 000	—	157 399 000	159 531 000
Department of Further Education, Employment, Science and Technology	284 428 000	—	284 428 000	276 636 000
Department for Environment and Heritage	134 717 000	-1 611 000	133 106 000	129 445 000
Administered Items for the Department for Environment and Heritage	3 606 000	1 237 000	4 843 000	23 743 000
Department of Water, Land and Biodiversity Conservation	92 038 000	96 000	92 134 000	96 812 000
Administered Items for the Department of Water, Land and Biodiversity Conservation	15 078 000	—	15 078 000	15 647 000
Environment Protection Authority	4 331 000	—	4 331 000	4 799 000

STATEMENT A

**COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2007-08—continued**

	Budget (Appropriation Act 2007)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2007-08
PAYMENTS - continued	\$	\$	\$	\$
Department for Transport, Energy and Infrastructure	390 173 000	1 053 000	391 226 000	358 387 000
Administered Items for the Department for Transport, Energy and Infrastructure	11 539 000	—	11 539 000	12 122 125
TransAdelaide	2 720 000	- 385 000	2 335 000	2 054 844
House of Assembly	7 296 000	—	7 296 000	7 976 153
Joint Parliamentary Services	9 285 000	—	9 285 000	9 064 343
Legislative Council	4 609 000	—	4 609 000	5 484 296
Total Payments Appropriated for Departments and Ministers	8 356 078 000	—	8 356 078 000	8 460 885 761
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	8 480 753 000	—	8 480 753 000	8 586 229 016

(a) During 2007-08 the functions of the Office of Public Employment were transferred to the Department of the Premier and Cabinet.

(b) Defence SA was established on 1 September 2007 and absorbs the operations of the Port Adelaide Maritime Corporation and the Defence Unit of the Department of Trade and Economic Development.

KEVIN FOLEY, Treasurer

STATEMENT B

**SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (ii) Public Finance and Audit Act 1987)
(Prepared on a Cash Basis)**

	2007-08 \$'000	2006-07 \$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	3 378 758	3 083 330
Commonwealth General Purpose Grants	3 916 646	3 604 924
Commonwealth Specific Purpose Grants	47 042	46 078
Contributions from State Undertakings	443 391	492 309
Fees and Charges	296 003	247 522
Recoveries	151 470	68 016
Royalties	143 415	143 808
Other Receipts	326 921	196 261
Total Receipts	<u>8 703 646</u>	<u>7 882 248</u>
 Increase in balance of Special Deposit Accounts	152 530	184 566
Increase in balance of Deposits lodged with the Treasurer	11 321	56 948
Decrease in balance of Imprest Accounts	—	145
Increase in borrowings from the South Australian Government Financing Authority	—	106 919
Decrease in cash at bank	—	35 957
Decrease in deposits by the Treasurer with LGFA	3 200	—
Increase in the value of cheques drawn but not presented	27 628	—
Decrease in Treasurer's loans to SAFA - payments to be settled ^(a)	42 823	—
	<u>8 941 148</u>	<u>8 266 783</u>
 APPLICATION OF FUNDS		
Consolidated Account Payments	8 586 229	7 989 167
Repayment of borrowings to the South Australian Government Financing Authority ^(b)	117 417	—
Increase in cash at bank	35 919	—
Increase in deposits by the Treasurer with SAFA	201 583	215 919
Increase in deposits by the Treasurer with LGFA	—	1 500
Decrease in the value of cheques drawn but not presented	—	17 374
Increase in Treasurer's loans to SAFA - payments to be settled ^(a)	—	42 823
	<u>8 941 148</u>	<u>8 266 783</u>

(a) Due to the change in accounting arrangements for the Administered Items for the Department of Treasury and Finance whereby transactions were processed via a special deposit account from 1 July 2006, payments processed in respect of June 2007 transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in June 2007 but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account. Transactions processed in respect of June 2008 were paid in June 2008.

(b) As reported in Statement A and Statement J, the surplus on Consolidated Account for 2007-08 was used to repay the Treasurer's borrowings from the South Australian Government Financing Authority.

KEVIN FOLEY, Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2008
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

	2007-08 \$'000	2006-07 \$'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT - See Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES - See Statement F	1 599 229	1 446 699
DEPOSITS LODGED WITH THE TREASURER - See Statement G	530 580	519 259
CHEQUES DRAWN BUT NOT PRESENTED	59 071	31 443
TREASURER'S LOANS TO BE SETTLED ^(a)	—	- 42 823
	<u>2 188 880</u>	<u>1 954 578</u>
REPRESENTED BY		
CASH AT BANK	188 108	152 189
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY - See Statement J	1 959 169	1 757 586
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA - See Statement E	40 400	43 600
DEPARTMENTAL IMPREST ACCOUNTS - See Statement H	1 203	1 203
	<u>2 188 880</u>	<u>1 954 578</u>

(a) Due to the change in accounting arrangements for the Administered Items for the Department of Treasury and Finance whereby transactions were processed via a special deposit account from 1 July 2006, payments processed in respect of June 2007 transactions for the Treasurer's Loans to the South Australian Government Financing Authority were not settled in June 2007 but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account. Transactions in respect of June 2008 were paid in June 2008.

KEVIN FOLEY, Treasurer

STATEMENT D

**ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2008 ^(a)**

(Section 22 (a) (iii) Public Finance and Audit Act 1987)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND
RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	\$'000	\$'000	\$'000	\$'000
	Payments	Recoveries	Cost	
Department of the Premier and Cabinet	190 669	66	190 603	
State Governor's Establishment	2 779	—	2 779	
Arts SA	110 829	—	110 829	
South Australian Tourism Commission	48 698	—	48 698	
Minister for Tourism	55 277	—	55 277	
Auditor-General's Department	11 338	10 344	994	
Department of Treasury and Finance	1 214 288	838 613	375 675	
Independent Gambling Authority	1 486	—	1 486	
Department of Trade and Economic Development	56 862	—	56 862	
Office of the Venture Capital Board	2 729	—	2 729	
Port Adelaide Maritime Corporation	735	—	735	
Defence SA	15 697	—	15 697	
Department of Primary Industries and Resources	156 755	—	156 755	
Attorney-General's Department	133 792	26 898	106 894	
Courts Administration Authority	78 996	47 403	31 593	
Department for Correctional Services	159 943	—	159 943	
South Australia Police	481 617	75 660	405 957	
State Electoral Office	2 225	2	2 223	
South Australian Fire and Emergency Services Commission	—	505	- 505	
Department of Health	1 811 046	820	1 810 226	
Department for Families and Communities	868 889	—	868 889	
Department of Education and Children's Services	1 898 221	—	1 898 221	
Department of Further Education, Employment, Science & Technology	276 636	—	276 636	
Department for Environment and Heritage	153 188	13 524	139 664	
Department of Water, Land and Biodiversity Conservation	112 459	165	112 294	
Environmental Protection Authority	4 799	—	4 799	
Department for Transport, Energy and Infrastructure	372 564	144 546	228 018	
Legislature	22 525	121	22 404	
Payments authorised under various acts	125 343	—	125 343	
Total	8 370 385	1 158 667	7 211 718	

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES

7 211 718

STATEMENT D - continued

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2008 ^(a)
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST —

	\$'000	\$'000	\$'000
State Taxation—			
Payroll Tax	1 085 903		
Stamp Duties	1 470 116		
Land Tax	365 890		
Commonwealth Places Mirror Tax	20 623		
River Murray Levy	22 003		
Other Taxes on Property	33		
Gaming Machines Tax	301 060		
Contribution from Lotteries Commission	81 820		
Contribution from Casino Operations	18 500		
Contribution from Totalizator Agency Board	10 632		
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	<u>2 178</u>		
Total Receipts from State Taxation		3 378 758	
Commonwealth Government General Purpose Grants		3 916 646	
Royalties		<u>143 415</u>	
Total Direct Receipts			<u>7 438 819</u>
LEAVING A SURPLUS ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			227 101
THIS WAS REDUCED BY THE NET OF—			
Payments for investing activities		- 212 749	
Payments for financing activities		- 3 095	
Receipts from investing activities		<u>106 160</u>	
			- 109 684
RESULTING IN A CONSOLIDATED ACCOUNT SURPLUS FOR THE YEAR OF			<u><u>117 417</u></u>

(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act 1987*, which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. The categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Generally Accepted Accounting Principles. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

KEVIN FOLEY, Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER HAS INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (iv) Public Finance and Audit Act 1987)

Local Government Finance Authority of South Australia

As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia.

At 30 June 2008 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$40.4 million.

KEVIN FOLEY, Treasurer

STATEMENT F**SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2008**

(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
Interest bearing—	
Adelaide Convention Centre Future Asset Replacement Account	13 412 721
Adelaide Convention Centre Operating Account	12 763 730
Adelaide Dolphin Sanctuary Fund	1 068
ANZAC Day Commemoration Fund	8 940
AusLink Advance for Specific Projects Account	99 487 693
Barossa Wine Industry Fund	525 511
Citrus Growers Fund	7 620
Clare Valley Wine Industry Fund	53 813
Community Emergency Services Fund	2 900 280
Community Road Safety Fund	1 895 506
Country Equalisation Scheme	13 804 449
Dog Fence Fund	164 424
Electricity Sale/Lease Proceeds Account	—
Eyre Peninsula Grain Growers Rail Fund	153 240
Gamblers Rehabilitation Fund	1 982 268
Governors' Pensions Account	7 521
Health, Community and Disability Services Ministerial Council	22 331 496
HIH Builders' Indemnity Assistance Account	2 026 287
Home Purchase Assistance Account	—
Homes for Incurables Trust	452 156
HomeStart Finance Account	3 734 614
Housing Loans Redemption Fund	8 319 856
Judges' Pensions Account	24 531
Local Government Disaster Fund	457 988
National Water Initiative Fund	4 064 613
Parliamentary Superannuation Scheme Account	251 910
Playford Centre Operating Account	2 656 626
Police Superannuation Scheme Contribution Account	343 146
Public Trustee Office Operating Account	2 583 065
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	1 881 159
Rural Finance Account	31 321 718
Rural Industry Adjustment and Development Fund	19 129 658
SA Grape Growers Industry Fund	184 106
School Loans Scheme	608 426
Shared Services SA	1 723 557
South Australian Aboriginal Heritage Fund	708 053
South Australian Ambulance Superannuation Scheme	966 281
South Australian Local Government Grants Commission Account	1 646 044
South Australian Superannuation Fund Account	13 870 561
Southern State Superannuation Fund Account	17 101 323
Supported Residential Facilities Indemnity Fund	24 724
Victims of Crime Fund	28 213 209
Sub-Total	311 793 891

STATEMENT F - *continued*

SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2008
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance \$
Non-interest bearing—	
Accrual Appropriation Excess Funds	414 850 619
Administrative and Information Services Administered Items Account	—
Administrative and Information Services Operating Account	—
Attorney-General's Administered Items Account	12 413 719
Attorney-General's Operating Account	5 833 697
Auditor-General's Administered Items Account	362 144
Auditor-General's Operating Account	1 489 011
Charitable and Social Welfare Fund	58 874
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Community Development Fund	—
Correctional Services Operating Account	8 834 652
Defence SA	43 757 272
Education and Children's Services Administered Items Account	6 134 511
Education and Children's Services Operating Account	34 127 390
Egg Industry Deregulation Account	464 709
Electoral Office Operating Account	1 087 471
Environment and Heritage Administered Items Account	1 400
Environment and Heritage Operating Account	15 971 966
Environment Protection Authority Operating Account	1 743 148
Essential Services Commission of SA	5 693 000
Families and Communities Administered Items Account	6 978 018
Families and Communities Operating Account	41 846 377
Further Education, Employment, Science and Technology Operating Account	36 213 865
Government Workers Rehabilitation and Compensation Fund	1 185 929
Health Administered Items Account	—
Health and Medical Research Fund	2 750 834
Health Operating Account	29 494 862
Highways Fund	164 820 116
Hospitals Fund	—
Industry Financial Assistance Account	52 926 688
Local Government Concessions - Seniors Cardholders	753 976
Local Government Disaster Fund	40 400 000
Motor Vehicles - Clearing Account	34 144 880
NRM Alliance Fund	10 000
Office of Public Employment Operating Account	—
Office of the Venture Capital Board Operating Account	2 993 253
Planning SA Administered Items Account	43 352
Police and Emergency Services Administered Items Account	599 441
Police Operating Account	31 672 452
Premier and Cabinet Administered Items Account	12 262 047
Premier and Cabinet Operating Account	64 065 686
Primary Industries and Resources Administered Items Account	25 568
Primary Industries and Resources Operating Account	4 490 461
Professional Standards Council Fund	—

STATEMENT F - *continued*

SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2008
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
Non-interest bearing—<i>continued</i>	
Sale of Government Land and Property	5 729 405
Save the River Murray Fund	14 472 287
Save the River Murray Voluntary Contributions Fund	4 415
South Australian Electricity Supply Industry Planning Council Operating Account	1 435 329
South Australian Film Corporation Unclaimed Investor Returns Account	65 963
Sport and Recreation Fund	2 876 407
State Government Auctions Account	305 854
State Governor's Establishment Operating Account	327 437
State Procurement Board Account	642 212
Support Services to Parliamentarians	3 886 496
Surplus Cash Working Account	—
Targeted/Voluntary Separation Package Scheme	3 456
Trade and Economic Development Operating Account	5 192 635
Transport, Energy and Infrastructure Administered Items Account	5 341 354
Transport, Energy and Infrastructure Operating Account	30 075 370
Treasurer's Interest in the National Wine Centre	846 448
Treasury and Finance Administered Items Account	51 158 304
Treasury and Finance Operating Account	54 588 684
Treasury – Working Account	372 938
Water, Land and Biodiversity Conservation Administered Items Account	2 800 591
Water, Land and Biodiversity Conservation Operating Account	26 808 281
Sub-Total	<u>1 287 435 254</u>
TOTAL SPECIAL DEPOSIT ACCOUNTS	<u><u>1 599 229 145</u></u>

KEVIN FOLEY, Treasurer

STATEMENT F (1)

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Operating Account	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Adelaide Dolphin Sanctuary Fund	To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the <i>Adelaide Dolphin Sanctuary Act 2005</i> .
Administrative and Information Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Administrative and Information Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
ANZAC Day Commemoration Fund	To record the receipts and payments relating to the ANZAC Day Commemoration Fund in accordance with the <i>ANZAC Day Commemoration Act</i> .
Attorney-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Attorney-General's Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auditor-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auslink Advance for Specific Projects Account	To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program.
Barossa Wine Industry Fund	To record receipts and payments relating to the Barossa wine industry in accordance with the <i>Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations</i> .
Charitable and Social Welfare Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to supporting the work of not-for-profit charities and community based social welfare organisations.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Citrus Growers Fund	To receive funds and to make payments as prescribed by the <i>Primary Industries Funding Schemes (Citrus Growers Fund) Regulations 2005</i> .
Clare Valley Wine Industry Fund	To record the receipts and payments relating to the Clare Valley wine industry in accordance with the <i>Primary Industries Funding Schemes (Clare Valley Wine Industry Fund) Regulations</i> .
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	To receive amounts that are levied pursuant to the <i>Commonwealth Places (Mirror Taxes) Act 1998</i> of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the <i>Commonwealth Places (Mirror Taxes Administration) Act 1999</i> of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Community Development Fund	To record the receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of government health, welfare or education services and financial assistance for non government welfare agencies and community development.
Community Emergency Services Fund	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the <i>Emergency Services Funding Act 1998</i> and any amendments as approved by Parliament.
Community Road Safety Fund	To receive revenue derived from anti-speeding devices and other monies approved by both the Minister and the Treasurer and to make payments for road safety programs and policing.
Correctional Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make 'refund' payments to electricity retailers in accordance with the Country Equalisation Scheme.
Defence SA	To record all activities of Defence SA including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Dog Fence Fund	To record receipts and disbursements relating to the operation of the Dog Fence Board.
Education and Children's Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments and to receive various Commonwealth grants and to disburse the associated payments.
Education and Children's Services Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Egg Industry Deregulation Account	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Electoral Office Operating Account	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Electricity Sale/Lease Proceeds Account	To receive proceeds of sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of the State debt.
Environment and Heritage Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Environment and Heritage Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Environment Protection Authority Operating Account	To record all of the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings.
Essential Services Commission of SA	To record the financial transactions of the Essential Services Commission of South Australia.
Eyre Peninsula Grain Growers Rail Fund	To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the <i>Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006</i> .
Families and Communities Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Families and Communities Operating Account	To record all activities of the Department including recurrent and capital expenditure, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Further Education, Employment, Science and Technology Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Gamblers Rehabilitation Fund	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.
Government Workers Rehabilitation and Compensation Fund	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions Scheme.
Health Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Health and Medical Research Fund	To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia.
Health, Community and Disability Services Ministerial Council	To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council.
Health Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Highways Fund	To record all transactions associated with the <i>Highways Act 1926</i> including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges.
HIH Builders' Indemnity Assistance Account	To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme.
Home Purchase Assistance Account	Established in 1978 to facilitate the recording of transactions associated with the administration of welfare housing loans under Housing Agreements between the Commonwealth and the State.
Homes for Incurables Trust	To record receipts and payments incurred within the terms of the Home for Incurables Trust
HomeStart Finance Account	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
Hospitals Fund	To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers.
Housing Loans Redemption Fund	Established under the <i>Housing Loans Redemption Fund Act 1962</i> to control amounts received in respect of a low cost insurance scheme established by the South Australian Government, which is administered through various lending authorities.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Industry Financial Assistance Account	To record the financial transactions of industry financial assistance administered on behalf of the Treasurer, including operating and financing expenditures, revenues from various activities and injection of funds provided by the Consolidated Account.
Judges' Pensions Account	To record receipts and payments for the Judges' Pensions Scheme.
Local Government Concessions – Seniors Cardholders	To administer receipts and payments for Local Government Concessions – Seniors Cardholders.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Motor Vehicles - Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
National Water Initiative Fund	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission.
NRM Alliance Fund	To receive funds and make payments in relation to initiatives relating to NRM science, technology and innovation, including investments in, and/or received from the NRM Alliance member organisations, together with proceeds generated through ancillary revenues.
Office of Public Employment Operating Account	To record all of the activities of the Office including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Office of the Venture Capital Board Operating Account	To record all the activities of the Office including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.
Planning SA Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Playford Centre Operating Account	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.
Police and Emergency Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Police Operating Account	To record all the activities of the Police Department including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Premier and Cabinet Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Premier and Cabinet Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings and the receipt of Commonwealth funding for the APY Lands and associated payments.
Primary Industries and Resources Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Primary Industries and Resources Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Professional Standards Council Fund	Record receipts and payments related to the Professional Standards Council as set out in the <i>Professional Standards Act 2004</i> .
Public Trustee Office Operating Account	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement.
Rural Finance Account	<p>To provide for the administration of separate funds covering -</p> <ul style="list-style-type: none"> • the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> - rural reconstruction entered into on 4 June 1971 - rural assistance entered into on 1 January 1977 - rural assistance entered into on 1 July 1985 - rural assistance entered into on 1 January 1989 - rural assistance entered into on 1 January 1993 - Marginal Dairy Farms and Dairy Adjustment; • loans under the Commercial Rural Loans Scheme; • loans made to producer Co-operatives and borrowings required to fund the scheme; <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p>
Rural Industry Adjustment and Development Fund	To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act 1985</i> .
SA Grape Growers Industry Fund	To record receipts and payments relating to SA grape growers in accordance with the <i>Primary Industries Funding Schemes (SA Grape Growers Industry Fund) Regulations</i> .

STATEMENT F (1)—continuedSPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Sale of Government Land and Property	To record all receipts and payments associated with the sale of Crown lands and other Government land and property.
Save the River Murray Fund	To receive the proceeds of the Save the River Murray Levy via Consolidated Account and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
Save the River Murray Voluntary Contributions Fund	To receive voluntary payments and donations in relation to the Save the River Murray Fund and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
School Loans Scheme	To administer loans to schools.
Shared Services SA	To record all of the activities of Shared Services SA including operating and investing expenditure, revenue from various activities, and injections of funds provided from the Consolidated Account and borrowings.
South Australian Aboriginal Heritage Fund	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Ambulance Superannuation Scheme	To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme.
South Australian Electricity Supply Industry Planning Council Operating Account	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.
South Australian Film Corporation Unclaimed Investor Returns Account	To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation.
South Australian Local Government Grants Commission Account	To record all transactions associated with the <i>South Australian Local Government Grants Commission Act 1992</i> including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act.
South Australian Superannuation Fund Account	To record receipts and payments in respect of the South Australian Superannuation Fund.
Southern State Superannuation Fund Account	To record receipts and payments in respect of the Southern State Superannuation Fund.
Sport and Recreation Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of financial assistance to sporting and recreational organisations.
State Government Auctions Account	To record the proceeds from State Government Auctions and disburse associated payments.
State Governor's Establishment Operating Account.	To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
State Procurement Board Account	To record all of the financial transactions associated with the State Procurement Board in accordance with the <i>State Procurement Act 2004</i> .

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—continued
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Supported Residential Facilities Indemnity Fund	To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund.
Support Services to Parliamentarians	To record the financial transactions related to the administration of Support Services to Parliamentarians.
Surplus Cash Working Account	To record the movement of surplus cash to and from agencies' operating accounts, and to the Consolidated Account, in accordance with the requirements of the Cash Alignment Policy.
Targeted/Voluntary Separation Package Scheme	To administer the costs associated with the Targeted/Voluntary Separation Package Scheme.
Trade and Economic Development Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Transport, Energy and Infrastructure Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Transport, Energy and Infrastructure Operating Account	To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts.
Treasurer's Interest in the National Wine Centre	To record all of the financial transactions associated with the management of the <i>National Wine Centre (Restructuring and Leasing Arrangements) Act 2002</i> including injections of funds from the Consolidated Account.
Treasury and Finance Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Treasury and Finance Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury - Working Account	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Victims of Crime Fund	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Water, Land and Biodiversity Conservation Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.

STATEMENT F (1)—continued

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2008—*continued*
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Water, Land and Biodiversity Conservation Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

KEVIN FOLEY, Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

Account	Purpose
ANZAC Day Commemoration Fund	To record the receipts and payments relating to the ANZAC Day Commemoration Fund in accordance with the <i>ANZAC Day Commemoration Act</i> .
Barossa Wine Industry Fund	To record receipts and payments relating to the Barossa wine industry in accordance with the <i>Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations</i> .
Clare Valley Wine Industry Fund	To record the receipts and payments relating to the Clare Valley wine industry in accordance with the <i>Primary Industries Funding Schemes (Clare Valley Wine Industry Fund) Regulations</i> .
Defence SA	To record all activities of Defence SA including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Homes for Incurables Trust	To record receipts and payments incurred within the terms of the Home for Incurables Trust.
NRM Alliance Fund	To receive funds and make payments in relation to initiatives relating to NRM science, technology and innovation, including investments in, and/or received from the NRM Alliance member organisations, together with proceeds generated through ancillary revenues.
SA Grape Growers Industry Fund	To record receipts and payments relating to SA grape growers in accordance with the <i>Primary Industries Funding Schemes (SA Grape Growers Industry Fund) Regulations</i> .
Shared Services SA	To record all of the activities of Shared Services SA including operating and investing expenditure, revenue from various activities, and injections of funds provided from the Consolidated Account and borrowings.

KEVIN FOLEY, Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2008

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.

Account	Balance \$
Interest bearing—	
Adelaide and Mt Lofty Ranges Natural Resources Management Board	4 725 357
Adelaide Festival Centre Trust	9 334 070
Adelaide Hills Wine Industry Fund	182 067
Agents Indemnity Fund	21 691 580
Alinytjara Wilurara Natural Resources Management Board	1 935 985
Aquaculture Resource Management Fund	267 040
Art Gallery Board Bequests Account	1 481 514
Bank of Tokyo-Mitsubishi Account	91 952
Bio-Innovation SA	1 998 940
Boating Administration - Working Account	4 160 862
Botanic Gardens Board Endowment and Commercial Fund	2 137 760
Carrick Hill Trust	285 773
Cattle Compensation Fund	1 828 460
Cooperative Research Centre for Sustainable Aquaculture of Finfish	2 093 503
Crown Solicitor's Trust Account	7 211 159
Daniel Livingston Scholarship	31 116
Deer Keepers' Compensation Fund	130 320
Distribution Lessor Corporation Account	39 891
District Court Suitors' Fund	3 023 885
Dog and Cat Management Fund	540 713
Education Department - Scholarships and Prizes	150 574
Employment and Technical and Further Education – College Council Funds	540 622
Environment Protection Fund	2 694 709
Eyre Peninsula Natural Resources Management Board	595 993
Generation Lessor Corporation Account	26 985
Grains Industry Levy Fund	210 882
Gulf St Vincent Prawn Fishery Voluntary Contributions	25 842
History Trust of South Australia	1 504 612
Independent Gambling Authority	1 973 729
Institute of Medical and Veterinary Science	8 887 712
Land Management Corporation	52 363 188
Land Technologies Alliance Fund	2 263
Langhorne Creek Wine Industry Fund	120 676
Legal Practitioners Act	277 902
Libraries Board of South Australia	3 890 916
Local Government Taxation Equivalents Fund	927 575
Lower Murray Reclaimed Irrigation Areas Operating Account	79 581
McLaren Vale Wine Industry Fund	99 347
Motor Accident Commission Account	897 567
Museum Board – Bequests Account	3 532 392

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2008

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
Interest bearing—continued	
National Action Plan for Salinity and Water Quality	20 119 448
National Parks General Reserves Account	2 023 624
National Sirex Fund	—
Native Vegetation Fund	5 494 393
Natural Heritage Trust Extension (NHT2)	4 571 266
Natural Resources Management Fund	2 600 738
Outback Areas Community Development Fund	199 969
Passenger Transport Research and Development Fund	57 795
Phylloxera and Grape Industry Fund	998 750
Planning and Development Fund	12 502 913
Pleuro Pneumonia Fund	82 163
Police Superannuation Fund	361 792
Rail Transport Facilitation Fund	22 754 347
Real Property Act Assurance Fund	6 255 593
Real Property Act Trust Account	55 176
Recreational Boating Facilities Fund	3 389 159
RESI Corporation Account	250 293
Residential Tenancies Fund	12 324 963
Retail Shop Leases Fund	1 273 606
Returned and Services League of Australia - Poppy Day Trust Inc - Enfield Project Account	393 977
Returned and Services League of Australia (South Australian Branch) Incorporated	1 040 729
Riverland Wine Industry Fund	220 563
SA BITS Funds Pty Ltd – Playford Centre Capital	4 578 571
SAFECOM Operating Account	14 529 114
Second-Hand Vehicles Compensation Fund	1 509 290
South Australian Apiary Industry Fund	229 820
South Australian Arid Lands Natural Resources Management Board	2 995 740
South Australian Centre for Trauma and Injury Recovery	559
South Australian Country Arts Trust	2 228 909
South Australian Forestry Corporation	28 692 124
South Australian Government Financing Authority	52 358 792
South Australian Housing Trust	38 345 107
South Australian Metropolitan Fire Service	24 994 678
South Australian Murray Darling Basin Natural Resources Management Board	8 740 534
South Australian Pig Industry Fund	2 340 081
South Australian Sheep Industry Fund	5 332 181
South Australian Timber Corporation	1 868 679
South East Natural Resources Management Board	4 818 483
State Emergency Relief Fund	57 259
State Procurement Board – Gaming Machine Operations	1 737 437
Superannuation Funds Management Corporation Operating Account	1 272 761
Super SA Board	3 261 434
Supreme Court Sutors Fund	24 537 008

STATEMENT G - continued

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2008

(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
Interest bearing—continued	
Teachers' Registration Board	3 027 881
TransAdelaide	4 390 983
Transmission Lessor Corporation Account	25 423
Upper South East Dryland Salinity Project	8 891 143
Waste to Resources Fund	10 192 478
Wildlife Conservation Fund	443 860
Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account	1 899
Sub-Total	490 368 499
Non-interest bearing—	
Adelaide Children's Court	3 514
Agriculture – Research and Services Grants	5 861 389
Children's Services Office – Capital Assistance Fund	192 235
Coast Protection Fund	308 211
Companies Liquidation Account	94 244
Contractors' Deposits	61 418
Co-operatives Liquidation Account	64 993
Correctional Services - Prisoners' Monies	521 673
Courts Administration Authority	13 648 163
Extractive Areas Rehabilitation Fund	10 049 635
Fisheries – Research and Development Fund	2 433 968
Metropolitan Drainage Maintenance Fund	—
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	1 001 552
Sheriff's Office Account	2 948
South Australian Film Corporation Investors Returns Account	155 239
South Australian Tourism Commission	4 131 578
South Eastern Water Conservation and Drainage Board	45 047
State Heritage Fund	218 368
Unclaimed Salaries and Wages Account	505 097
Workmen's Liens	912 684
Sub-Total	40 211 956
TOTAL DEPOSITS LODGED WITH THE TREASURER	530 580 455

KEVIN FOLEY, Treasurer

STATEMENT H

IMPREST ACCOUNTS

(Section 22 (a) (vii) Public Finance and Audit Act 1987)

These amounts represent monies advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recovered from departmental monies.

By Whom Held	Agency	Unappropriated Funds Allocated
		\$
Chief Executive	Attorney-General's Department	44 020
Auditor-General	Auditor-General's Department	3 100
Chief Executive	Department of Education and Children's Services	121 000
Chief Executive	Department for Families and Communities	285 000
Chief Executive	Department of Further Education, Employment, Science and Technology	498 700
Electoral Commissioner	State Electoral Office	200
Chief Executive	Department of Trade and Economic Development	3 000
Chief Executive	Department for Transport, Energy and Infrastructure	247 590
		<hr/>
TOTAL		1 202 610
		<hr/> <hr/>

KEVIN FOLEY, Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2008 (Section 22 (a) (viii) Public Finance and Audit Act 1987)

As prescribed in Section 22 (a) (viii) of the *Public Finance and Audit Act 1987*, this statement provides details on the total indebtedness of the Treasurer.

Lending arrangements within the South Australian public sector give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and certain public non financial corporations and the consolidation of general government sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the general government sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2008 was \$2 624.8 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2007-08 the Consolidated Account surplus was \$117.4 million and was used to repay borrowings of that amount to SAFA.

The indebtedness of the Treasurer to SAFA is serviced from Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition, the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

	2007-08 \$'000	2006-07 \$'000
Loans to State Government Departments		
Department for Environment and Heritage	-	38 054
Department of Primary Industries and Resources—Rural Loans	1 746	1 593
Department for Transport, Energy and Infrastructure	47 761	47 761
	<u>49 507</u>	<u>87 408</u>
Loans to Statutory Authorities and Other Bodies		
Adelaide Bank	10	39
Adelaide Festival Centre Trust	-	27 250
Basketball Association of South Australia Incorporated	-	8 428
Flinders Medical Centre	24 496	24 672
Land Management Corporation	9 600	9 730
Lotteries Commission	-	512
Lyrup Village Association	35	45
Minister for Education and Children's Services	1 500	2 960
Renmark Irrigation Trust	1 395	1 395
South Australian Country Arts Trust	15 637	15 677
South Australian Housing Trust	728 285	748 123
South Western Suburbs Drainage	2 321	2 635

STATEMENT I - *continued***INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2007—*continued***

(Section 22 (a) (viii) Public Finance and Audit Act 1987)

	2007-08 \$'000	2006-07 \$'000
Loans to Statutory Authorities and Other Bodies-<i>continued</i>		
South Australian Tourism Commission	467	592
TransAdelaide	-	75 205
West Beach Trust	2 716	2 716
Women's and Children's Hospital	2 753	3 712
Woodville, Henley and Grange Drainage	225	245
	789 440	923 936
Equity Contributions		
Adelaide Convention Centre	77 795	77 795
Adelaide Entertainments Corporation	55 536	55 536
Courts Administration Authority	3 140	3 140
Defence SA ^(a)	203 980	-
Distribution Lessor Corporation	28 273	28 273
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Department for Families and Communities	26 991	19 474
Department of Health	272 873	205 268
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Planning SA	1 483	1 483
Port Adelaide Maritime Corporation ^(a)	-	77 356
Department of the Premier and Cabinet	10 016	173
Department of Primary Industries and Resources	1 059	1 059
SA Water Corporation	173 610	173 610
South Australian Asset Management Corporation	52 716	52 716
South Australian Film Corporation	8 460	8 460
State Electoral Office	154	154
State Governor's Establishment	160	-
Department for Transport, Energy and Infrastructure	155 642	191 246
Department of Water, Land and Biodiversity Conservation	8 164	8 164
	1 110 158	934 013
Other Indebtedness		
Debt associated with prior operations of the Consolidated Account	675 690	796 601
TOTAL TREASURER'S INDEBTEDNESS TO SAFA	2 624 795	2 741 958

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.

(a) Defence SA was established on 1 September 2007 and absorbs the operations of the Port Adelaide Maritime Corporation and the Defence Unit of the Department of Trade and Economic Development.

STATEMENT I—continued**INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2008—continued**
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

The Treasurer is authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act 1941*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

The Treasurer has residual liabilities arising from the sale/lease of the State's electricity assets. These liabilities represent prepaid lease rental payments received by the Treasurer on behalf of the Transmission Lessor Corporation, Distribution Lessor Corporation and Generation Lessor Corporation. The Treasurer's liability to the corporations at 30 June 2008 was \$497.0 million. This amount will reduce over the terms of the leases, (up to 200 years), as lease rental revenue is brought to account. No cash payments are anticipated.

KEVIN FOLEY, Treasurer

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) Public Finance and Audit Act 1987)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below—

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including—

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- the Government's assumption of obligations of semi-government authorities and Public Sector Financial Institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2007-08 is summarised as follows—

	\$million
Balance at 30 June 2007	2 742
Less - Consolidated Account repayment of borrowings in 2007-08	117
Add - Realised loss (net)	4
Less - Repayment of borrowing	4
Balance at 30 June 2008	2 625
Market value at 30 June 2008 ^(a)	2 657

(a) SAFA manages its financial assets and liabilities on a market value basis (net fair value).

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2007-08 SAFA paid interest at the Common Public Sector Interest Rate (CPSIR) to the Treasurer in respect of Treasurer's deposits, that earn interest at the CPSIR. In respect of the remaining funds deposited with SAFA, the Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate.

At 30 June 2008 the Treasurer's deposit with SAFA was \$1 959 million (SAFA's market valuation \$1 973 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2008 and the form in which those balances were held.

SAFA's 2007-08 operating loss before income tax was \$57.0 million. SAFA and its controlled entities operate within the Tax Equivalent Regime (TER) and under this arrangement \$14.5 million was paid to Consolidated Account in 2007-08 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the net loss after tax in 2007-08, the amount of SAFA's surplus potentially available for distribution at 30 June 2008 was \$232.2 million. The Treasurer determined that there would be no distribution for 2007-08.

Similar to many other semi-government authorities, SAFA operates a Deposit Account—see Statement G. Any surplus funds otherwise standing to the credit of the account are invested by SAFA each day.

The State unconditionally guarantees all the liabilities of SAFA pursuant to Section 15 of the *Government Financing Authority Act 1982*. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

STATEMENT J - continued

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH
AUSTRALIAN GOVERNMENT FINANCING AUTHORITY
(Section 22 (a) (ix) Public Finance and Audit Act 1987)

On 1 July 2006 the South Australian Government Insurance Corporation (SAICORP) was amalgamated with SAFA.

As part of the amalgamation arrangements, SAFA assumed the assets and liabilities of the South Australian Government Insurance and Risk Management (SAGIRM) Fund sections 1 and 2. The insurance function of SAFA will operate through two funds, (SAICORP Insurance Fund 1 and 2), specifically established in SAFA's financial accounts to quarantine insurance activities from SAFA's financing and investing activities. SAICORP Insurance Funds 1 and 2 correspond with and reflect the transactions of the former SAGIRM Fund sections 1 and 2 respectively.

With respect to SAICORP Insurance Fund 2, the Treasurer has agreed to indemnify SAFA for the financial outcomes of the Fund to reflect the risks SAFA has assumed on the Treasurer's behalf. At 30 June each year the financial position of Fund 2 will be calculated and the Treasurer will be liable for any deficiency in the Fund. Conversely, SAFA will be liable to pay to the Treasurer any surplus in the Fund. Unless otherwise agreed, either the Treasurer or SAFA will settle their liabilities under this arrangement within 12 months of the relevant financial year.

SAICORP Insurance Fund 2 recorded an operating surplus of \$5.4 million in 2006-07. The Treasurer agreed to SAFA retaining this surplus.

SAICORP Insurance Fund 2 recorded an operating loss of \$9.6 million in 2007-08. The Treasurer will record a liability to the Fund of \$4.2 million which is equal to the cumulative deficiency in the Fund at 30 June 2008. This liability is expected to be settled in 2008-09.

KEVIN FOLEY, Treasurer

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND	
(Section 22 (a) (xi) (A) and (B) Public Finance and Audit Act 1987)	
	\$
Maximum amount that could have been appropriated from the Fund in 2007-08	231 559 000
<hr/>	
Purpose of Appropriation	Amounts Issued and Applied
	\$
Department of the Premier and Cabinet	15 201 000
State Governor's Establishment	30 000
Arts SA	1 227 000
South Australian Tourism Commission	2 056 000
Minister for Tourism	50 000 000
Administered Items for the Department of Treasury and Finance	8 769 000
Office of the Venture Capital Board	50 000
Attorney-General's Department	1 549 000
Courts Administration Authority	251 000
Department for Correctional Services	98 000
Department for Families and Communities	28 641 000
Department of Education and Children's Services	38 231 000
Administered Items for the Department of Education and Children's Services	2 132 000
Administered Items for the Department for Environment and Heritage	18 900 000
Department of Water, Land and Biodiversity Conservation	4 678 000
Administered Items for the Department of Water, Land and Biodiversity Conservation	569 000
Environment Protection Authority	468 000
Administered Items for the Department for Transport, Energy and Infrastructure	583 125
House of Assembly	680 153
Legislative Council	875 296
TOTAL	174 988 574

STATEMENT K - *continued*STATEMENT OF APPROPRIATION AUTHORITIES - *continued*

TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
(Section 22 (a) (xii) Public Finance and Audit Act 1987)

No transfers were made during 2007-08.

REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

No reductions were made during 2007-08.

APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
(Section 22 (a) (xiii) Public Finance and Audit Act 1987)

\$

Administered Items for the Department of Treasury and Finance 57 296 000

TOTAL 57 296 000

APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2007-08
(Section 22 (a) (xiii) Public Finance and Audit Act 1987)

	Appropriation Authority	Actual Payments
	\$	\$
<i>Appropriation Act 2007, Section 4</i>	8 356 078 000	8 228 601 187
<i>Public Finance and Audit Act 1987, Section 15</i>	<u>57 296 000</u>	<u>57 296 000</u>
	8 413 374 000	8 285 897 187
 The Governor's Appropriation Fund -		
<i>Public Finance and Audit Act 1987, Section 12</i>	<u>231 559 000</u>	<u>174 988 574</u>
	8 644 933 000	8 460 885 761
 Specific appropriation authorised by various Acts	<u>125 343 255</u>	<u>125 343 255</u>
 TOTAL	<u>8 770 276 255</u>	<u>8 586 229 016</u>

KEVIN FOLEY, Treasurer

STATEMENT L

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF
TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2008
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

Transfers were made to the following agencies:	\$
Department of the Premier and Cabinet	7 314 000
State Governor's Establishment	1 000
Arts SA	1 325 000
South Australian Tourism Commission	1 608 000
Auditor-General's Department	20 000
Department of Treasury and Finance	1 044 000
Administered Items for the Department of Treasury and Finance	10 487 000
Department of Trade and Economic Development	38 000
Office of the Venture Capital Board	3 000
Defence SA	33 000
Department of Primary Industries and Resources	176 000
Department for Correctional Services	2 899 000
South Australia Police	18 826 000
Courts Administration Authority	79 000
Attorney-General's Department	227 000
Administered Items for the Attorney-General's Department	3 000
Department of Health	45 737 039
Department for Families and Communities	692 000
Department of Education and Children's Services	1 710 000
Administered Items for the Department of Education and Children's Services	10 000
Department of Further Education, Employment, Science and Technology	10 128 000
Bio-Innovation SA	9 000
Department for Environment and Heritage	60 000
Environment Protection Authority	12 000
Department of Water, Land and Biodiversity Conservation	45 000
Department for Transport, Energy and Infrastructure	17 046 961
House of Assembly	169 000
Joint Parliamentary Services	610 000
Legislative Council	97 000
TOTAL	120 409 000

KEVIN FOLEY, Treasurer

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Auditor-General

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