



Government
of South Australia

Report
of the
Auditor-General
Annual Report
for the
year ended 30 June 2016

Tabled in the House of Assembly and ordered to be published, 18 October 2016

Second Session, Fifty-Third Parliament

Appendix to the Annual Report
Volume 3

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Women's and Children's
Health Network Incorporated

Financial report
for the year ended
30 June 2016

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Staff benefit expenses	4	326,807	308,049
Supplies and services	5	103,836	104,758
Depreciation and amortisation expense	6	7,521	7,259
Grants and subsidies	7	63	33
Net loss from disposal of non-current and other assets	14	156	229
Loss on revaluation of investment property	22	-	635
Other expenses	8	693	1,103
Total expenses		439,076	422,066
Income			
Revenue from fees and charges	10	35,192	36,521
Grants and contributions	11	7,115	6,149
Interest revenue	12	263	238
Resources received free of charge	13	1,435	20
Gain on revaluation of investment property	22	102	-
Other revenue	15	5,411	5,486
Total income		49,518	48,414
Net cost of providing services		389,558	373,652
Revenue from SA Government			
Revenue from SA Government	16	377,279	379,677
Total revenue from SA Government		377,279	379,677
Net result		(12,279)	6,025
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		-	1,255
Items that will be reclassified subsequently to net result when specific conditions are met			
Gains or losses recognised directly in equity		(5)	(9)
Total other comprehensive income		(5)	1,246
Total comprehensive result		(12,284)	7,271

The net result and total comprehensive result are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 \$ '000	2015 \$ '000
Current assets			
Cash and cash equivalents	17	23,464	23,143
Receivables	18	8,098	6,865
Inventories	19	754	674
Total current assets		32,316	30,682
Non-current assets			
Receivables	18	951	963
Other financial assets	20	1,176	1,182
Property, plant and equipment	21	237,829	241,024
Investment property	22	14,854	14,365
Intangible assets	23	57	78
Total non-current assets		254,867	257,612
Total assets		287,183	288,294
Current liabilities			
Payables	25	15,220	12,086
Staff benefits	26	40,373	40,657
Provisions	27	2,213	1,672
Other liabilities	28	291	392
Total current liabilities		58,097	54,807
Non-current liabilities			
Payables	25	2,701	2,247
Staff benefits	26	52,854	44,225
Provisions	27	3,103	3,581
Total non-current liabilities		58,658	50,053
Total liabilities		116,755	104,860
Net assets		170,428	183,434
Equity			
Asset revaluation surplus	29	86,391	86,391
Other reserves	29	364	369
Retained earnings	29	83,673	96,674
Total equity		170,428	183,434

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 31

The above statement should be read in conjunction with the accompanying notes.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Note	Contributed capital \$ '000	Asset revaluation surplus \$ '000	Other reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 30 June 2014		-	85,184	378	94,884	180,446
Error correction		-	(48)	-	(3,409)	(3,457)
Restated balance at 30 June 2014		-	85,136	378	91,475	176,989
Net result for 2014-15		-	-	-	6,025	6,025
Gain/(loss) on revaluation of property during 2014-15	21	-	1,437	-	-	1,437
Gain/(loss) on revaluation of plant and equipment during 2014-15	21	-	(182)	-	-	(182)
Gain/(loss) on revaluation of other financial assets		-	-	(9)	-	(9)
Total comprehensive result for 2014-15		-	1,255	(9)	6,025	7,271
Transactions with SA Government as owner						
Net assets received from an administrative restructure	32	-	-	-	(412)	(412)
Net assets transferred as a result of an administrative restructure	32	-	-	-	(414)	(414)
Balance at 30 June 2015	29	-	86,391	369	96,674	183,434
Net result for 2015-16		-	-	-	(12,279)	(12,279)
Gain/(loss) on revaluation of other financial assets		-	-	(5)	-	(5)
Total comprehensive result for 2015-16		-	-	(5)	(12,279)	(12,284)
Transactions with SA Government as owner		-				
Net assets received from an administrative restructure	32	-	-	-	(722)	(722)
Balance at 30 June 2016	29	-	86,391	364	83,673	170,428

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

The above statement should be read in conjunction with the accompanying notes.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Note	2016 \$ '000	2015 \$ '000
Cash flows from operating activities			
Cash outflows			
Staff benefit expenses		(319,003)	(304,900)
Payments for supplies and services		(107,169)	(117,079)
Payments of grants and subsidies		(65)	(33)
Payments for paid parental leave scheme		(1,561)	(1,136)
Other payments		(514)	(925)
Cash used in operations		(428,312)	(424,073)
Cash inflows			
Fees and charges		35,163	42,230
Grants and contributions		7,637	7,115
Interest received		263	241
GST recovered		5,227	5,192
Receipts for paid parental leave scheme		1,522	1,207
Other receipts		5,663	6,670
Cash generated from operations		55,475	62,655
Cash flows from SA Government			
Receipts from SA Government		376,786	379,677
Cash generated from SA Government		376,786	379,677
Net cash provided by / (used in) operating activities		3,949	18,259
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(3,650)	(2,632)
Purchase of intangibles		-	(31)
Cash used in investing activities		(3,650)	(2,663)
Cash inflows			
Proceeds from sale of property, plant and equipment		22	16
Cash generated from investing activities		22	16
Net cash provided by/(used in) investing activities		(3,628)	(2,647)
Net increase/(decrease) in cash and cash equivalents		321	15,612
Cash and cash equivalents at the beginning of the period		23,143	7,531
Cash and cash equivalents at the end of the period	17	23,464	23,143
Non-cash transactions	34	(6,356)	(6,945)

The above statement should be read in conjunction with the accompanying notes.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1 Objectives of Women's and Children's Health Network

The Women's and Children's Health Network Incorporated (the Hospital) is an incorporated Hospital under the *Health Care Act 2008* (the Act).

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department for Health and Ageing (the Department) and is accountable to the Chief Executive of the Department.

The Women's and Children's Health Network Advisory Council Incorporated (the Council) was established pursuant to the Act. The council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and the Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

The Hospital's objectives are to enhance and promote the health of women, children and young people by specialising in care, research, education and health promotion.

1.1 Administrative restructures

2015-16

- Following a review of Departmental functions, effective 30 November 2015, the Chief Executive of the Department approved the transfer of Cervix Screening employees from the Department to the Women's and Children's Health Network.
- Following a review of Departmental functions, effective 10 August 2015 and 30 November 2015, the Chief Executive of the Department approved the transfer of Children's Aboriginal health employees from the Women's and Children's Health Network.
- Following a review of Departmental functions, effective 1 July 2015, the Chief Executive of the Department approved the transfer of operational employees within the Workforce division of the Department to the Local Health Networks and SA Ambulance Service Inc (SAAS).

2014-15

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the South Australian Ambulance Service.

Details of the assets, rights and liabilities that transferred are provided in Note 32.

2 Summary of significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, and the requirements of the Act.

The Hospital has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Hospital is a not-for-profit entity.

Except for AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* which the Hospital has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Hospital for the period ending 30 June 2016. Refer to Note 3.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Hospital'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) staff targeted voluntary separation package (TVSP) information;

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

- d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff; and
- e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

2.3 Reporting entity

The Hospital was established as an incorporated hospital under the *South Australian Health Commission Act 1976* on 1 July 2004 under the name Children, Youth and Women's Health Service Incorporated. This name was changed on 1 July 2011 to Women's and Children's Health Network Incorporated.

The financial statements include all controlled activities of the Hospital. Transactions and balances relating to administered resources are not recognised as the Hospital's income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the schedule of administered items in Note 38. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as the Hospital.

The Hospital does not control any other entity and has no interests in unconsolidated structured entities. In forming this view, the Hospital considered its involvement with a number of different entities and determined that it does not control any of them.

In making this assessment, the Hospital considered its power over the entities, its exposure or rights (eg protective and substantive rights) to variable returns from its involvement with the entities and the ability to use its power to affect return amounts (eg ability to direct relevant major activities).

The Hospital has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change, or as otherwise noted.

Where presentation and classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

2.5 Rounding

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

2.6 Taxation

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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 Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Effective 1 January 2014, the Department, incorporated Hospitals and the SA Ambulance Service were grouped for GST purposes with the ATO. All transactions between the GST group members are not subject to GST. The Department acts as an agent on behalf of the incorporated Hospitals and SA Ambulance Service for the purpose of remitting GST to, and recovering GST from, the ATO.

2.7 Expenses

Expenses are recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits from the Hospital will occur, and can be reliably measured.

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 following are the specific recognition criteria:

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value; and in the expense line items to which they relate.

Contributions paid

Contributions payable will be recognised as a liability and expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

Loss from disposal of non-current assets

Loss 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 the carrying amount. When revalued assets are sold, any identified revaluation increments are transferred to retained earnings.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Staff benefits expenses

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

Superannuation

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

2.8 Income

Income is recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits to the Hospital will occur, and can be reliably measured.

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

The following are the 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.

Gain from 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 the carrying amount. When revalued assets are sold, any identified revaluation increments are transferred to retained earnings.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

Resources received free of charge

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

Contributions received

Contributions are recognised as an asset and income when the Hospital obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

Other revenue

Other income consists of car park revenue, rent revenue, donations and training revenue.

2.9 Revenue from SA Government

The Department provides recurrent and capital funding under a service level agreement (SLA) to the Hospital for the provision of general health services.

Contributions from the Department are recognised as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

2.10 Foreign currency transactions

Transactions in foreign currency are translated into the Hospital's functional currency (Australian dollars) at the exchange rates at the dates the transactions occur.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

Foreign currency differences are recognised in the Statement of Comprehensive Income.

2.11 Current and non-current classification

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

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

2.12 Assets

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

2.13 Cash and cash equivalents

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

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

2.14 Receivables

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

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Doubtful Debts

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Hospital will not be able to collect the debt. Bad debts are written off only after all reasonable effort has been made to collect the debt.

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

2.15 Inventories

Inventories held for distribution at no or nominal consideration, are measured at the lower of average weighted cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of average weighted cost or their net realisable value.

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

Inventories include:

- Inventory imprest stock

2.16 Other financial assets

The Hospital measures financial assets and debts at historical cost, except for listed equities which are measured at market value.

2.17 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 after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

2.18 Revaluation of non-current assets

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

- all non-current tangible assets are valued at written down cost (a proxy for fair value);
- the Hospital revalues all land, buildings and site improvements triennially via a Certified Practising Valuer;
- triennial revaluation of other non-current assets by a Certified Practising Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years;
- if at any time, management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place; and
- non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

Any revaluation increase is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation reserves for that asset class.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

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 asset revaluation surplus relating to that asset is transferred to retained earnings.

2.19 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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The 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 revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

2.20 Depreciation and amortisation of non-current assets

All non-current assets, that have 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 and leasehold assets, whilst depreciation is applied to physical assets such as property, plant and equipment.

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis.

Changes in 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 the shorter.

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements	40 - 80
Leasehold improvements	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	5 - 15
• Computing equipment and software	3 - 5
• Other plant and equipment	3 - 25
Intangibles	5 - 10

2.21 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 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.

Capitalised software is amortised over the useful life of the asset.

2.22 Investment property

Investment properties represent properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset, will flow to the Hospital.

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

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

2.23 Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.

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Non-financial assets

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to Note 21, 22 and 24 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial asset/liabilities

Investments in listed entities are recognised at fair value based on quoted market prices for identical assets at reporting date. The Hospital does not recognise any other financial assets or financial liabilities at fair value.

2.24 Liabilities

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

2.25 Payables

Payables include creditors, accrued expenses, GST payable, staff on-costs and Paid Parental Leave Scheme payable.

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

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 processed/received.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

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.

Staff benefits on-costs include superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

2.26 Staff benefits

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

Salaries, wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention 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, annual leave and SERL liability 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 staff is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 4 percent; and
- Discounting of 1.83 percent per annum based on the gross 10 year Commonwealth bond rate prevailing at 30 June 2016.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the health sector across government.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as the consolidated entity 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.

2.27 Provisions

Provisions are recognised when the Hospital 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.

The Hospital is an exempt employer under the *Return to Work Act 2014*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office of the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

With respect to the workers compensation liability, the Hospital includes an amount receivable for the lump sum and redemption portion of the workers compensation claims which is specifically funded by the Department.

Change of Accounting estimate

The Actuary's allocation methodology is intended to provide an equitable basis for spreading the Department's liabilities amongst individual Health entities. The Actuary has advised that the allocating of deemed seriously injured (SI) claims to individual Health entities has been undertaken for the first time this year, as there were no deemed SI claims in prior years. The allocating of deemed SI claims to individual Health entities and the use of each Health entity's claims experience in the allocation methodology means that there can be some considerable variation in the Health entity's liabilities from one year to the next if the claims experience changes significantly, or a Health entity's deemed SI claims change. The impact of this change is not quantifiable.

2.28 Specific Purpose Funds

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.

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2.29 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Hospital has only entered into operating leases and has no finance lease arrangements in place.

Operating leases

For operating leases, the lessor retains substantially the entire risks and rewards incidental to ownership of the leased assets. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a basis which is representative of the pattern of benefits derived from the leased assets or on a straight-line basis over the lease term. The straight-line basis is used when it is representative of the pattern of benefits derived from the leased assets.

2.30 Professional indemnity and general public insurance

Professional indemnity and general public liability claims arising from the Hospital's operations are managed as part of the State Government Insurance Program. The Hospital pays an annual premium to the Department. The Department and the SA Government Financing Authority, SAICORP Division are responsible for meeting the cost of any claims. Consequently, no provision for these claims is recognised in the Hospital's financial statements.

2.31 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

2.32 SA Government/Non-SA Government disclosures

The Hospital has adopted the requirements of Accounting Policy Framework II *General Purpose Financial Statements Framework* where the Hospital must disclose by way of a note, whether transactions are with entities that are within, or external to, the SA Government. These transactions are classified by their nature, and relate to revenues, expenses, financial assets and financial liabilities.

2.33 Continuity of Operations

As at 30 June 2016, the Hospital had working capital deficiency of \$25.781 million (\$24.125 million deficiency). The Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Hospital to enable it to perform its functions.

2.34 Events after the reporting period

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

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

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2.35 Correction of a prior period error

Business Transfers

Child and Adolescent Mental Health and Women's Health

Child and Adolescent Mental Health Service (CAMHS) in South Australia are governed by the Women's and Children's Health Network (WCHN). CAMHS currently consists of an acute inpatient unit, community and outpatient services, as well as perinatal services also located on Glenside Campus.

In June 2012, the SA Health Portfolio Executive reaffirmed its 2011 decision to establish a single state-wide CAMHS for children and adolescents aged 0 to 15 years of age. Previous to July 2013 the service was split between Southern Adelaide Local Health Network (Southern CAMHS) and the Women's and Children's Health Network (Northern CAMHS). These services operated under very different models of care and in July 2013 there was a merger of the Northern and Southern CAMHS teams to join under one umbrella of the Women's and Children's Health Network.

During the 2015-16 financial year, it was identified that Child and Adolescent Mental Health transactions should have been reflected in the Women's and Children's Health Network's financial report effective 1 July 2013. In addition, during the 2015-16 financial year, it was identified that Women's Health transactions should have been reflected in the Women's and Children's Health Network's financial report effective 1 July 2013 or earlier, as these activities are specific functions of the Women's and Children's Health Network as per the *Health Care (Local Health Networks) Proclamation* of 2011. In 2015-16 net expenses valued at \$0.108 million and net liabilities valued at \$2.261 million were identified and corrected as a prior year adjustment in this financial report.

SA Pharmacy and SA Medical Imaging as at 1 July 2012

On 1 July 2012, SA Pharmacy and SA Medical Imaging became a statewide service, under Central Adelaide Local Health Network (CALHN).

SA Pharmacy is responsible for the provision of pharmacy services at SA metropolitan public hospitals and at country hospitals with on-site pharmacy departments.

SA Medical Imaging is responsible for the provision of all medical imaging services at SA Public Hospitals within metropolitan and country South Australia across SA Health. Contracts with External Service Providers exist for Modbury Hospital and Noarlunga Hospital, and many country health sites.

During the 2015-16 financial year, it was identified that SA Pharmacy transactions and SA Medical Imaging transactions should have been reflected in Central Adelaide Local Health Network's financial report effective 1 July 2012. In 2015-16 net expenses valued at \$0.005 million and net liabilities valued at \$1.201 million were identified and corrected as a prior year adjustment in this financial report.

The correction of these errors in 2014-15 have resulted in certain account balances for 2014-15 being restated as follows:

Note	Description	2014-15 (\$'000)	Prior Period Error ¹ (\$'000)	Prior period reclass- ification ⁴ (\$'000)	2014-15 Restated Balance (\$'000)
Staff benefit expenses ^{1 2}	Annual Leave	23,096	(637)	-	22,459
Staff benefit expenses ^{1 2}	Long service leave	7,553	(426)	-	7,127
Staff benefit expenses ^{1 2}	Other staff related Expenses	355	116	-	471
Staff benefit expenses ^{1 2}	Salaries and wages	249,902	(2,763)	-	247,139
Staff benefit expenses ^{1 2}	Skills and experience retention leave	1,324	(27)	-	1,297
Staff benefit expenses ^{1 2}	Staff on-costs superannuation	26,515	(258)	-	26,257
Staff benefit expenses ^{1 2}	TVSP	1,153	844	-	1,997
Staff benefit expenses ^{1 2 3}	Workers compensation	1,152	100	(9)	1,243
Supplies and Services ^{1 2}	Administration	994	(63)	-	931
Supplies and Services ^{1 2}	Communication	1,267	32	-	1,299
Supplies and Services ^{1 2}	Computing	4,375	56	-	4,431
Supplies and Services ^{1 2}	Contractors	414	4	-	418
Supplies and Services ^{1 2}	Contractors - agency staff	8,257	93	-	8,350
Supplies and Services ^{1 2}	Drug Supplies	12,845	(4,771)	-	8,074
Supplies and Services ^{1 2}	Electricity, gas and fuel	3,587	56	-	3,643
Supplies and Services ^{1 2}	Fee for service	3,422	(18)	-	3,404

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Note	Description	2014-15 (\$'000)	Prior Period Error ¹ (\$'000)	Prior period reclass- ification ⁴ (\$'000)	2014-15 Restated Balance (\$'000)
Supplies and Services ^{1 2}	Food supplies	2,178	(2)	-	2,176
Supplies and Services ^{1 2}	Housekeeping	10,566	(62)	-	10,504
Supplies and Services ^{1 2}	Insurance	5,139	1	-	5,140
Supplies and Services ³	Legal	110	-	9	119
Supplies and Services ^{1 2}	Medical, Surgical and laboratory supplies	20,795	(564)	-	20,231
Supplies and Services ^{1 2}	Minor equipment	1,619	(49)	-	1,570
Supplies and Services ^{1 2}	Motor vehicle expenses	2,504	3	-	2,507
Supplies and Services ^{1 2}	Occupancy rent and rates	3,961	482	-	4,443
Supplies and Services ^{1 2}	Other supplies and services	4,157	1	-	4,158
Supplies and Services ^{1 2}	Periodical, journals and publications	195	(4)	-	191
Supplies and Services ^{1 2}	Postage	543	(12)	-	531
Supplies and Services ^{1 2}	Printing and stationery	1,523	(23)	-	1,500
Supplies and Services ^{1 2}	Rental expense on operating lease	111	133	-	244
Supplies and Services ^{1 2}	Repairs and maintenance	6,676	(800)	-	5,876
Supplies and Services ^{1 2}	Security	933	9	-	942
Supplies and Services ^{1 2}	Staff training and development	2,793	13	-	2,806
Supplies and Services ^{1 2}	Staff travel expenses	2,323	35	-	2,358
Supplies and Services ^{1 2}	Waste removal	-	1	-	1
Depreciation ^{1 2}	Medical, surgical, dental and biomedical equipment	2,502	(944)	-	1,558
Other expenses ^{1 2}	Other	400	193	-	593
Revenue from Fees and charges ^{1 2}	Recoveries	16,145	667	-	16,812
Revenue from Fees and charges ^{1 2}	Other user fees and charges	5,570	(182)	-	5,388
Revenue from Fees and charges ^{1 2}	Patient and client fees	11,962	(431)	-	11,531
Revenue from Fees and charges ^{1 2}	Private practice fees	2,709	(350)	-	2,359
Grant and contributions ²	Pharmaceutical Benefits Scheme Commonwealth subsidy	4,826	(4,826)	-	-
Revenue from SA Government ^{1 2}	Recurrent funding	379,629	(4,510)	-	375,119
Revenue from SA Government ^{1 2}	TVSP	1,153	370	-	1,523
Cash and cash equivalents ³	Cash at bank or on hand non-government financial institutions	23,106	-	(21,628)	1,478
Cash and cash equivalents ³	Deposits with Treasurer	-	-	21,628	21,628
Receivables ^{1 2}	Current - Workers compensation provision recoverable	639	(27)	-	612
Receivables ^{1 1}	Non current - Debtors	31	(1)	-	30

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Note	Description	2014-15 (\$'000)	Prior Period Error ¹ (\$'000)	Prior period reclass- ification ⁴ (\$'000)	2014-15 Restated Balance (\$'000)
Receivables ^{1 2}	Non current - Workers compensation provision recoverable	974	(41)	-	933
Inventories ^{1 2}	Drug supplies	959	(958)	-	I
Property, plant and equipment ^{1 2}	Leasehold improvements at fair value	380	78	-	458
Property, plant and equipment ^{1 2}	Medical, surgical dental, biomedical equipment at cost (deemed fair value)	21,150	(5,820)	-	15,330
Property, plant and equipment ^{1 2}	Accumulated depreciation - medical, surgical dental, biomedical	12,693	(1,678)	-	11,015
Payables ^{1 2}	Current - Staff on-costs	3,654	164	-	3,818
Payables ^{1 2}	Non current - Staff on-costs	2,318	(71)	-	2,247
Staff benefits ^{1 2}	Accrued salaries and wages	9,164	(293)	-	8,871
Staff benefits ^{1 2}	Current - Annual leave	21,413	28	-	21,441
Staff benefits ^{1 2}	Current - Long service leave	8,203	(132)	-	8,071
Staff benefits ^{1 2}	Skills and experience retention leave	2,309	(31)	-	2,278
Staff benefits ^{1 2}	Non current - Long service leave	45,288	(1,063)	-	44,225
Provisions ^{1 2}	Current - provision for workers compensation	1,746	(74)	-	1,672
Provisions ^{1 3}	Non current - provision for workers compensation	3,738	(157)	-	3,581
Equity ^{1 2}	Asset revaluation surplus	86,439	(48)	-	86,391
Equity ^{1 2}	Retained Earnings	100,100	(3,426)	-	96,674

¹ Child and adolescent mental health and Women's health as at 1 July 2013

² SA Pharmacy and SA Medical Imaging as at 1 July 2012

³ Comparative Change

WOMEN'S AND CHILDREN'S HEALTH NETWORK
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3 New and revised accounting standards and policies

Accounting Standards

Accounting Standards issued or amended but not yet effective

Except for AASB 2015-7 which the Hospital has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Hospital for the period ending 30 June 2016. The Hospital has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Hospital, except as outlined below.

Reference	Title	Summary	Application date of standard	Impact on financial statements	Application date for the Hospital
AASB 16	<i>Leases</i>	This new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117	1 January 2019	AASB 16 Leases will apply for the first time to our 30 June 2020 financial report. This standard will require us to recognise all leased items in the statement of financial position as assets to represent the value of what we lease, and liabilities to represent expected future lease payments. Depending on what lease arrangement we have entered into at the time, this could see significant assets and liabilities being recognised and over the lease term amortised.	1 July 2019
AASB 2015-6	<i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 and AASB 1049]</i>	This amending standard amends AASB 124 Related Party Disclosures to extend its scope to include not-for-profit public sector entities.	1 July 2016	The Hospital is a not-for-profit entity and accordingly the revised AASB 124 will apply. This revised standard will require the Hospital to include a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities and relationships between parent and controlled entities	1 July 2016

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Reference	Title	Summary	Application date of standard	Impact on financial statements	Application date for the Hospital
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 and AASB 1049]</i>	This amending standard provides clarity regarding disclosures in AASB 101. The standard clarifies that entities can use judgement when applying a standard in determining what information to disclose in financial statements.	1 January 2016	These amendments will have a minor impact on the financial report of the Hospital. As a result of the amending standard, the financial report may include some terminology changes eg 'summary of significant accounting policies' to 'significant accounting policies'; and possibly grouping or ordering of similar items in the notes. In addition, the standard clarifies that where some standards specify information that is required to be disclosed, these need not be provided if not material.	1 July 2016

4 Staff benefit expenses

	2016 \$'000	2015 \$'000
Salaries and wages	256,249	247,139
TVSP (refer below)	224	1,997
Long service leave (LSL)	14,515	7,127
Annual leave	24,293	22,459
Skills and experience retention leave (SERL)	1,383	1,297
Staff on-costs - superannuation	26,551	26,257
Workers compensation	2,597	1,243
Board and committee fees	48	59
Other staff related expenses	947	471
Total staff benefit expenses	326,807	308,049

	2016 \$'000	2015 \$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated staff:		
TVSPs	224	1,997
Annual leave, LSL and SERL paid to those employees	72	261
	296	2,258

Recovery from the Department of Treasury and Finance *	-	1,523
Net cost to the Hospital	296	735

Number of staff who received a TVSP during the reporting period	5	31
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*TVSP recoveries from DTF are to be recognised when the Hospital obtains control over the funds associated with the TVSP recovery or the right to receive the TVSP recovery from DTF. This will generally be upon receipt of the funds or obtaining written confirmation/substantiation from DTF that provides a right to receive the funds associated with the TVSP recovery.

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Remuneration of staff

The number of staff whose remuneration received or receivable falls within the following bands:	2016 No.	2015 No.
\$141,500 - \$145,000*	na	14
\$145,001 - \$155,000	32	25
\$155,001 - \$165,000	20	18
\$165,001 - \$175,000	15	21
\$175,001 - \$185,000	7	6
\$185,001 - \$195,000	5	6
\$195,001 - \$205,000	8	9
\$205,001 - \$215,000	9	9
\$215,001 - \$225,000	6	5
\$225,001 - \$235,000	6	6
\$235,001 - \$245,000	2	4
\$245,001 - \$255,000	7	8
\$255,001 - \$265,000	4	4
\$265,001 - \$275,000	3	3
\$275,001 - \$285,000	5	3
\$285,001 - \$295,000	1	2
\$295,001 - \$305,000	5	8
\$305,001 - \$315,000	2	5
\$315,001 - \$325,000	4	4
\$325,001 - \$335,000	4	3
\$335,001 - \$345,000	4	3
\$345,001 - \$355,000	4	3
\$355,001 - \$365,000	3	3
\$365,001 - \$375,000	3	7
\$375,001 - \$385,000	5	5
\$385,001 - \$395,000	9	6
\$395,001 - \$405,000	7	4
\$405,001 - \$415,000	2	1
\$415,001 - \$425,000	3	4
\$425,001 - \$435,000	4	2
\$435,001 - \$445,000	-	2
\$445,001 - \$455,000	2	5
\$455,001 - \$465,000	1	1
\$465,001 - \$475,000	3	4
\$475,001 - \$485,000	2	5
\$485,001 - \$495,000	2	4
\$495,001 - \$505,000	5	2
\$505,001 - \$515,000	4	3
\$515,001 - \$525,000	3	1
\$525,001 - \$535,000	5	1
\$535,001 - \$545,000	1	2
\$545,001 - \$555,000	1	-
\$555,001 - \$565,000	1	-
\$565,001 - \$575,000	-	-
\$575,001 - \$585,000	1	-
\$585,001 - \$595,000	-	-
\$595,001 - \$605,000	1	-
Total	221	231

	\$'000	\$'000
Total remuneration received or due and receivable by staff included above:	62,621	62,099

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

Where staff have left the Hospital, the remuneration reflects lump sum long service leave, annual leave and termination benefits.

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Staff whose remuneration was equal to or greater than the base executive remuneration level can be categorised by employment group as follows:

- Medical (excluding Nursing) remuneration \$59.187 million, 201 staff (\$58.522 million, 210 staff);
- Executive remuneration \$1.245 million, 6 staff (\$1.130 million, 5 staff);
- Nursing remuneration \$1.391 million, 9 staff (\$1.045 million, 7 staff);
- Non-medical (i.e. administration) remuneration \$0.798 million, 5 staff (\$1.402 million, 9 staff).

The total remuneration received by these staff for the year was \$62.621 million (\$62.099 million).

For the purpose of this note, remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

5 Supplies and services

	2016	2015
	\$'000	\$'000
Administration	590	931
Advertising	198	313
Communication	1,608	1,299
Computing	4,240	4,431
Contractors	651	418
Contractors - agency staff	8,673	8,350
Consultants	9	36
Contract of services	3	12
Cost of goods sold	-	1
Drug supplies	8,713	8,074
Electricity, gas and fuel	3,171	3,643
Fee for service	3,123	3,404
Food supplies	2,346	2,176
Housekeeping	10,393	10,504
Insurance	5,342	5,140
Internal SA Health SLA payments	2,585	5,011
Interstate patient transfers	-	3
Legal	144	119
Medical, surgical and laboratory supplies	21,966	20,231
Minor equipment	1,040	1,570
Motor vehicle expenses	2,339	2,507
Occupancy rent and rates	5,285	4,443
Patient transport	1,509	977
Payments to Shared Services SA	2,536	2,558
Periodical, journals and publications	84	191
Postage	687	531
Printing and stationery	1,744	1,500
Rental expense on operating lease	178	244
Repairs and maintenance	4,383	5,876
Security	1,036	942
Staff training and development	2,907	2,806
Staff travel expenses	2,416	2,358
Waste removal	80	1
Other supplies and services	3,857	4,158
Total supplies and services	103,836	104,758

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2016	2015
	\$'000	\$'000
No.	No.	
Below \$10,000	1	9
Above \$10,000	-	2
Total paid/payable to consultants engaged	1	9

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6 Depreciation and amortisation expense

	2016	2015
	\$'000	\$'000
Depreciation		
Buildings and improvements	5,502	5,270
Site improvements	16	13
Computing equipment	-	16
Medical, surgical, dental and biomedical equipment	1,643	1,558
Power generation and transmission	75	75
Other plant and equipment	189	157
Total depreciation	7,425	7,089
Amortisation		
Leasehold improvements	75	154
Intangible assets	21	16
Total amortisation	96	170
Total depreciation and amortisation	7,521	7,259

7 Grants and subsidies

	2016	2015
	\$'000	\$'000
Recurrent grants	-	33
Funding to non-government organisations	63	-
Total grants and subsidies	63	33

8 Other expenses

	Note	2016	2015
		\$'000	\$'000
Bad and doubtful debts	18	(17)	471
Bank fees and charges		23	39
Donated assets expense		215	-
Other		472	593
Total other expenses		693	1,103

9 Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	2016	2015
	\$'000	\$'000
Auditor fees - auditing financial statements	174	180
Total audit fees	174	180

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other expenses – Other' (refer Note 8).

10 Revenue from fees and charges

	2016	2015
	\$'000	\$'000
Fines, fees and penalties	-	1
Interstate patient transfers	2	3
Insurance recoveries from health services	12	97
Patient and client fees	10,132	11,531
Private practice fees	2,188	2,359
Recoveries	16,220	16,812
Sale of goods - medical supplies	233	330
Other user charges and fees	6,405	5,388
Total fees and charges	35,192	36,521

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11 Grants and contributions

	2016	2015
	\$'000	\$'000
11.1 Commonwealth revenues/grants and contributions		
Commonwealth grants and donations	545	630
Total Commonwealth grants and contributions	545	630
11.2 Grants and contributions from SA Government agencies	\$'000	\$'000
Other grants and contributions from SA Government agencies	4,120	4,099
Total grants and contributions from SA Government agencies	4,120	4,099
11.3 Private sector grants and contributions	\$'000	\$'000
Private sector capital contributions	717	168
Private sector grants and contributions	1,733	1,252
Total private sector grants and contributions	2,450	1,420
Total grants and contributions	7,115	6,149

Restrictions on contributions received

Of the \$7.115 million received in 2015-16 (\$6.149 million) for grants and contributions, \$1.141 million (nil) was provided for specific purposes, such as research and associated activities.

12 Interest revenue

	2016	2015
	\$'000	\$'000
Interest from SAFA	-	17
Bank interest	2	60
Interest on Special Purpose Funds (SPF)	261	161
Total interest revenue	263	238

13 Resources received free of charge

	2016	2015
	\$'000	\$'000
Buildings	216	-
Plant and equipment	1,219	20
Total resources received free of charge	1,435	20

14 Net loss from disposal of non-current and other assets

	2016	2015
	\$'000	\$'000
Plant and equipment:		
Proceeds from disposal	22	16
Less net book value of assets disposed	(178)	(245)
Net loss from disposal of plant and equipment	(156)	(229)
Total assets:		
Total proceeds from disposal	22	16
Less total value of assets disposed	(178)	(245)
Total net loss from disposal of non-current and other assets	(156)	(229)

15 Other revenue

	2016	2015
	\$'000	\$'000
Commissions revenue	54	50
Dividend revenue	60	57
Training revenue	163	614
Donations received	801	607
Car parking revenue	2,289	2,204
Other	2,044	1,954
Total other revenue	5,411	5,486

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16 Revenue from SA Government

	2016	2015
	\$'000	\$'000
Revenue from SA Government (DHA contributions for the provision of health services)		
Recurrent funding	374,597	375,119
Capital funding	2,682	3,035
TVSP recovery funds from Department of Treasury and Finance	-	1,523
Total revenue from Department for Health and Ageing	377,279	379,677
Total revenue from SA Government	377,279	379,677

17 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	698	1,478
Deposits with Treasurer	22,730	21,628
Imprest account/cash on hand	36	37
Total cash	23,464	23,143

Interest rate risk

Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in Note 30. The carrying amount of cash and cash equivalents represents fair value.

18 Receivables

	2016	2015
	\$'000	\$'000
Current		
Patient/client fees		
Compensable	475	904
Other	4,424	3,852
Workers compensation provision recoverable	1,120	612
Dividends receivable	15	17
Prepayments	589	157
Debtors	1,835	2,088
Receivables	8,458	7,630
Less: allowance for doubtful debts	(1,206)	(1,677)
Sundry receivables and accrued revenue	726	663
GST recoverable	120	249
Total current receivables	8,098	6,865
Non-current		
Workers compensation provision recoverable	918	933
Debtors	33	30
Receivables	951	963
Total non-current receivables	951	963
Total receivables	9,049	7,828

Interest rate and credit risk

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

Categorisation and maturity analysis of financial instruments, ageing analysis of financial assets and risk exposure information

Refer to Note 30.

Bad and doubtful debts

The Hospital has recognised a bad and doubtful debt expense of -\$0.017 million (\$0.471 million) in the Statement of Comprehensive Income.

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Revision of accounting estimates

The provision for doubtful debts has previously been calculated using an assessment of collectability rates at a consolidated SA Health economic entity (group) level. In 2015-16 collectability rates specific to each public authority have been used, as it was decided such rates better reflect the credit risk applicable to each reporting entity comprising the group.

This has resulted in a decrease of \$0.407 million in the amount of doubtful debts expense calculated on these receivables in the 2015-16 financial year relative to that which would have been expensed based on the previous estimation of doubtful debts expense.

It is impractical to estimate the effect on future years.

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2016	2015
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)		
Carrying amount at the beginning of the period	1,677	2,416
Amounts written off	(324)	(550)
Amounts recovered during the year	-	(2)
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	(147)	(187)
Carrying amount at the end of the period	1,206	1,677

19 Inventories

	2016	2015
	\$'000	\$'000
Current - held for distribution		
Materials at cost:		
Drug supplies	-	1
Inventory imprest stock	754	650
Other	-	23
Total current inventories - held for distribution	754	674

20 Other financial assets

	2016	2015
Non-current		
Other investments	1,176	1,182
Total non-current investments	1,176	1,182
Total investments	1,176	1,182

Categorisation and maturity analysis of other financial assets and risk exposure information

Refer to Note 30.

21 Property, plant and equipment

	2016	2015
	\$'000	\$'000
Land and buildings		
Site land at fair value	40,186	40,186
Land and buildings	40,186	40,186
Buildings and improvements at fair value	193,754	191,023
Site improvements at fair value	762	761
Buildings and improvements under construction (work in progress)	566	2,315
Buildings and improvements	195,082	194,099
Accumulated depreciation - buildings and improvements	5,976	458
Accumulated amortisation/depreciation	5,976	458
Total land, buildings and improvements	229,292	233,827

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	2016	2015
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at fair value	2,712	2,706
Accumulated amortisation	2,330	2,248
Total leasehold improvements	382	458
Plant and equipment		
Computing equipment at cost (deemed fair value)	241	241
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	16,959	15,330
Power generation and transmission at cost (deemed fair value)	749	749
Other plant and equipment at cost (deemed fair value)	3,396	2,440
Plant and equipment under construction (work in progress)	714	553
Total plant and equipment	22,059	19,313
Accumulated depreciation - computing equipment	241	241
Accumulated depreciation - medical, surgical, dental and biomedical equipment	12,081	11,015
Accumulated depreciation - power generation and transmission	487	412
Accumulated depreciation - other plant and equipment	1,095	906
Accumulated amortisation/depreciation	13,904	12,574
Total plant and equipment	8,155	6,739
Total property, plant and equipment	237,829	241,024

Valuation of land and buildings

An independent valuation of land and buildings, including site improvements, was performed in May 2015 by a Certified Practising Valuer from AssetVal Pty Ltd, as at 1st June 2015.

The valuer arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuer used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

Valuation of plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Framework III Asset Accounting Framework. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Hospital's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2015, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd.

Reconciliation of land and improvements

The following table shows the movement of land and improvements during 2015-16

	Land	Buildings and improvements	Leasehold improvements	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	40,186	191,326	458	2,315	234,285
Additions	-	200	-	953	1,153
Assets received free of charge	-	216	-	-	216
Revaluation increment/(decrement)	-	-	-	-	-
Depreciation and amortisation	-	(5,518)	(75)	-	(5,593)
Transfers between asset classes	-	2,315	-	(2,702)	(387)
Other movements	-	1	(1)	-	-
Carrying amount at the end of the period	40,186	188,540	382	566	229,674

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Reconciliation of land and improvements

The following table shows the movement of land and improvements during 2014-15

	Land \$'000	Buildings and improve- ments \$'000	Leasehold improve- ments \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at the beginning of the period	41,121	193,873	498	1,467	236,959
Prior Period adjustments	-	-	78	-	78
Additions	-	-	36	1,213	1,249
Assets received free of charge	-	-	-	-	-
Revaluation increment/(decrement)	(935)	2,372	-	-	1,437
Depreciation and amortisation	-	(5,283)	(154)	-	(5,437)
Transfers between asset classes	-	364	-	(364)	-
Other movements	-	-	-	(1)	(1)
Carrying amount at the end of the period	40,186	191,326	458	2,315	234,285

Land includes site land at fair value

Buildings and improvements include buildings and improvements at fair value and site improvements at fair value

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2015-16

	Medical/ surgical/ dental/ biomedical \$'000	Computer equipment \$'000	Capital works in progress \$'000	Other plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	4,315	-	553	1,871	6,739
Additions	1,875	-	533	89	2,497
Assets received free of charge	478	-	-	741	1,219
Disposals	(393)	-	-	-	(393)
Revaluation increment/(decrement)	-	-	-	-	-
Depreciation and amortisation	(1,643)	-	-	(264)	(1,907)
Transfers between asset classes	246	-	(372)	126	-
Carrying amount at the end of the period	4,878	-	714	2,563	8,155

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment during 2014-15

	Medical/ surgical/ dental/ biomedical \$'000	Computer equipment \$'000	Capital works in progress \$'000	Other plant and equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	8,800	16	605	2,047	11,468
Prior Period adjustments	(4,142)	-	-	-	(4,142)
Additions	1,792	-	651	98	2,541
Assets received free of charge	20	-	-	-	20
Disposals	(203)	-	-	(42)	(245)
Revaluation increment/(decrement)	(182)	-	-	-	(182)
Depreciation and amortisation	(2,502)	(16)	-	(232)	(2,750)
Transfers between asset classes	732	-	(703)	-	29
Carrying amount at the end of the period	4,315	-	553	1,871	6,739

Other plant and equipment includes plant and equipment - major at cost, power generation and transmission and other plant and equipment at cost

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22 Investment property

	2016	2015
	\$'000	\$'000
Investment property (at fair value)	14,854	14,365
Total investment property	14,854	14,365

Valuation of investment property

As at 30 June 2016, an independent valuation was performed on all investment properties, by AssetVal Pty Ltd with recent experience in the local market and equivalent properties. Investment properties are measured at fair value.

Where there is recent market transactions for similar properties, the valuations are based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in the active market for similar properties. These investment properties have been categorised as Level 2.

Impairment

There were no indications of impairment of investment property assets at 30 June 2016.

Reconciliation of investment property

The following table shows the movement of investment property during 2015-16

	Investment property	Total
	\$'000	\$'000
Carrying amount at the beginning of the period	14,365	14,365
Revaluation increment/(decrement)	102	102
Transfers between asset classes	387	387
Carrying amount at the end of the period	14,854	14,854

Reconciliation of investment property

The following table shows the movement of investment property during 2014-15

	Investment property	Total
	\$'000	\$'000
Carrying amount at the beginning of the period	15,000	15,000
Revaluation increment/(decrement)	(635)	(635)
Carrying amount at the end of the period	14,365	14,365

23 Intangible assets

	2016	2015
	\$'000	\$'000
Computer Software		
Other computer software	107	107
Accumulated amortisation (Other computer software)	(50)	(29)
Total computer software	57	78
Total intangible assets	57	78

Impairment

There were no indications of impairment of intangible assets at 30 June 2016.

Reconciliation of intangibles

The following table shows the movement of intangibles during 2015-16

	Capital works in progress	Internally developed computer	Other computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	-	-	78	-	78
Additions	-	-	-	-	-
Amortisation	-	-	(21)	-	(21)
Transfers between asset classes	-	-	-	-	-
Carrying amount at the end of the period	-	-	57	-	57

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Reconciliation of intangibles

The following table shows the movement of intangibles during 2014-15

	Capital works in progress \$'000	Internally developed computer \$'000	Other computer software \$'000	Other intangibles \$'000	Total \$'000
Carrying amount at the beginning of the period	29	-	63	-	92
Additions	-	-	31	-	31
Amortisation	-	-	(16)	-	(16)
Transfers between asset classes	(29)	-	-	-	(29)
Carrying amount at the end of the period	-	-	78	-	78

24 Fair Value Measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2016

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land (Note 21)	-	40,186	40,186
Buildings (Note 21)	-	188,540	188,540
Leasehold improvements (Note 21)	-	382	382
Plant and equipment (Note 21)	-	7,441	7,441
Investment property (Note 22)	14,854	-	14,854
Total recurring fair value measurements	14,854	236,549	251,403
Total	14,854	236,549	251,403

Fair value measurements at 30 June 2015

	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements			
Land (Note 21)	-	40,186	40,186
Buildings (Note 21)	-	191,326	191,326
Leasehold improvements (Note 21)	-	458	458
Plant and equipment (Note 21)	-	6,186	6,186
Investment property (Note 22)	14,365	-	14,365
Total recurring fair value measurements	14,365	238,156	252,521
Total	14,365	238,156	252,521

The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 2 and 3 fair values are at note 21 and 23.

During 2016 and 2015, the department had no valuations categorised into level 1; there were no transfers of assets between Level 1 and 2 fair value hierarchy levels in 2015-16.

Valuation techniques and inputs

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

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Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there were some buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all buildings (with the exception of investment property) have been classified as Level 3. Investment property has been valued using the income approach, based on capitalised net income at an appropriate yield, and is classified as Level 2.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (Level 3).

Reconciliation of Level 3 recurring fair value measurements at 30 June 2016

	Land	buildings and site/ leasehold improve- ments	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	40,186	191,784	6,186	238,156
Additions	-	200	1,964	2,164
Assets received free of charge	-	216	1,219	1,435
Disposals	-	-	(393)	(393)
Acquisition / (disposal) through transfers	-	2,315	372	2,687
Gains/(losses) for the period recognised in net result:				
- Revaluation increment/(decrement)	-	-	-	-
- Depreciation and amortisation	-	(5,593)	(1,907)	(7,500)
Total gains/(losses) recognised in net result	-	(5,593)	(1,907)	(7,500)
Carrying amount at the end of the period	40,186	188,922	7,441	236,549

Reconciliation of Level 3 recurring fair value measurements at 30 June 2015

	Land	Buildings and site/ leasehold improve- ments	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	41,121	194,371	10,863	246,355
Additions	-	36	1,890	1,926
Assets received free of charge	-	-	20	20
Disposals	-	-	(245)	(245)
Acquisition / (disposal) through transfers	-	364	732	1,096
Prior period adjustments	-	78	(4,142)	(4,064)
Gains/(losses) for the period recognised in net result:				
- Revaluation increment/(decrement)	(935)	2,372	(182)	1,255
- Depreciation and amortisation	-	(5,437)	(2,750)	(8,187)
Total gains/(losses) recognised in net result		191,784	(2,750)	189,034
Carrying amount at the end of the period	40,186	191,784	6,186	238,156

Assets transferred into Level 3 comprise capitalisation of assets from work in progress.

Buildings and improvements includes leasehold improvements but excludes works in progress.

Plant and equipment includes computer, medical, surgical, dental, biomedical and other plant and equipment but excludes works in progress.

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25 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors and accrued expenses	11,280	7,408
Paid Parental Leave Scheme payable	71	110
Employment on-costs	3,470	3,818
Other payables	399	750
Total current payables	15,220	12,086
Non-current		
Employment on-costs	2,701	2,247
Total non-current payables	2,701	2,247
Total payables	17,921	14,333

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has remained at 51% and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate (10.18%) to 10.03%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of \$0.014 million. The estimated impact on 2017 and 2018 is \$0.015 million and \$0.016 million respectively.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff benefits 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.

Categorisation of financial instruments, maturity analysis of borrowings and risk exposure information

Refer to Note 30.

26 Staff benefits

	2016	2015
	\$'000	\$'000
Current		
Annual leave	22,827	21,441
Long service leave	9,109	8,071
Accrued salaries and wages	5,698	8,871
Skills and experience retention leave	2,698	2,278
Other	41	(4)
Total current staff benefits	40,373	40,657
Non-current		
Long service leave	52,854	44,225
Total non-current staff benefits	52,854	44,225
Total staff benefits	93,227	84,882

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2015 (3.0%) to 2016 (1.83%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The net financial effect of the change in the current financial year is an increase in the reported long service leave liability of \$3.977 million and staff benefits expense of \$0.203 million. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

As a result of the actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, the salary inflation rate increased from 3% per annum in 2015 to 4% per annum in 2016. The net financial effect of the change in the current financial year is an increase in the reported long service leave liability of \$3.619 million and staff benefit expense of \$0.185 million.

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27 Provisions

		2016	2015
	Note	\$'000	\$'000
Current			
Provision for workers compensation	27.1	2,213	1,672
Total current provisions		2,213	1,672
Non-current			
Provision for workers compensation	27.1	3,103	3,581
Total non-current provisions		3,103	3,581
Total provisions		5,316	5,253

27.1 Reconciliation of workers compensation

The following table shows the movement of workers compensation:	2016	2015
	\$'000	\$'000
Carrying amount at the beginning of the period	5,253	6,581
Additional provisions recognised	672	(385)
Reductions arising from payments/other sacrifices of future economic benefits	(609)	(943)
Carrying amount at the end of the period	5,316	5,253

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Office for the Public Sector.

28 Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Unclaimed monies	99	119
Unearned revenue	108	201
Other	84	72
Total current other liabilities	291	392
Total other liabilities	291	392

29 Equity

	2016	2015
	\$'000	\$'000
Asset revaluation surplus	86,391	86,391
Other reserves	364	369
Retained earnings	83,673	96,674
Total equity	170,428	183,434

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

Other reserves includes revaluation reserve on available for sale financial assets.

30 Financial instruments / financial risk management

30.1 Financial risk management

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

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30.2 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.

Refer to Table 30.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Available for sale investments; loan and receivables; and financial liabilities measured at cost.

The Hospital does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 18 and 25).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer Notes 2 and 26).
- Available-for-sale financial assets are initially recognised and subsequently measured at fair value. Dividends or distributions on available-for-sale assets are recognised in the Statement of Comprehensive Income. Fair value gains and losses on available-for-sale assets are recorded in Other Comprehensive Income (except for impairment losses) until the asset is derecognised. On derecognition of an available-for-sale asset, the cumulative gain or loss that is recognised in Other Comprehensive Income for that asset is reclassified to profit or loss as a reclassification adjustment.

30.3 Liquidity risk

Liquidity risk arises from the possibility that the Hospital is unable to meet its financial obligations as they fall due. The continued existence of the Hospital is dependent on State Government policy and on continued funding from the Department for Health and Ageing for the Hospital's administration and program delivery. The Hospital settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Hospital's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount recorded in Table 30.3 represent the Hospital's maximum exposure.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

The following table discloses the carrying amount of each category of financial instrument held by the Hospital including the contractual maturity analysis for financial assets and liabilities (ie liquidity risk).

Table 30.3 Categorisation and maturity analysis of financial assets and liabilities

	Notes	Carrying amount/ Fair value \$'000	Contractual maturities			
			Current \$'000	Within 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
2016						
Financial assets						
Cash and equivalent						
Cash and cash equivalents	17, 34	23,464	23,464	-	-	-
Loans and receivables						
Receivables (1) (2)	18	6,253	6,253	-	-	-
Available for sale financial assets						
Other financial assets	20	1,176	-	-	1,176	-
Total financial assets		30,893	29,717	-	1,176	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	25	11,505	11,505	-	-	-
Other liabilities	28	183	183	-	-	-
Total financial liabilities		11,688	11,688	-	-	-

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	Notes	Carrying amount/ Fair value \$'000	Contractual maturities			
			Current	Within 1 year	1 - 5 years	More than 5 years
			\$'000	\$'000	\$'000	\$'000
2015						
Financial assets						
Cash and equivalent						
Cash and cash equivalents	17, 34	23,143	23,143	-	-	-
Loans and receivables						
Receivables (1) (2)	18	5,835	5,835	-	-	-
Available for sale financial assets						
Other financial assets	20	1,182	-	-	1,182	-
Total financial assets		30,160	28,978	-	1,182	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	25	7,995	7,995	-	-	-
Other liabilities	28	191	191	-	-	-
Total financial liabilities		8,186	8,186	-	-	-

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc). 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 levies, tax and equivalents 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).
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

30.4 Credit risk

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

The Hospital has minimal concentration of credit risk. The Hospital does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to Note 18 for information on the allowance for impairment in relation to receivables.

The carrying amount of financial assets as detailed in Table 30.3 represents the Hospital's maximum exposure to credit risk.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

Table 30.4 Aging analysis of financial assets

2016	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for < 30 days \$'000	Overdue for 30 - 60 days \$'000	Overdue > 60 days \$'000	
Cash and cash equivalents	23,464	23,464	-	-	-	-
Receivables (1)	6,253	248	2,773	1,257	1,976	(1,206)
Other financial assets	1,176	1,176	-	-	-	-
	30,893	24,888	2,773	1,257	1,976	(1,206)
2015						
Cash and cash equivalents	23,143	23,143	-	-	-	-
Receivables	5,835	3,202	663	588	3,081	(1,677)
Other financial assets	1,182	1,182	-	-	-	-
	30,160	27,527	663	588	3,081	(1,677)

- (1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

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30.5 Market risk

Market risk for the Hospital is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. Any exposure to foreign currency risks is managed by SAFA.

30.6 Sensitivity disclosure analysis

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

31 Unrecognised contractual commitments

31.1 Operating lease expenditure commitments

	2016	2015
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	3,306	1,995
Later than one year but not longer than five years	1,907	1,081
Later than five years	869	1,936
Total operating lease commitments	6,082	5,012
Representing:		
Cancellable operating leases	6,082	5,012
Total operating lease commitments	6,082	5,012

The Hospital has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

31.2 Expenditure commitments

Expenditure commitments	2016	2015
	\$'000	\$'000
Other expenditure contracted for at the reporting date but are not recognised as liabilities in the financial statements, are payable as follows:		
Within one year	11,415	9,384
Later than one year but not longer than five years	1,107	-
Total other commitments	12,522	9,384

The Hospital expenditure commitments are for agreements for goods and services ordered but not received.

32 Transferred functions

Transferred in
2015-16

- Following a review of Departmental functions, effective 30 November 2015, the Chief Executive of the Department approved the transfer of Cervix Screening employees from the Department to the Women's and Children's Health Network.
- Following a review of Departmental functions, effective 10 August 2015 and 30 November 2015, the Chief Executive of the Department approved the transfer of Children's Aboriginal health employees from the Department to the Women's and Children's Health Network.
- Following a review of Departmental functions, effective 1 July 2015, the Chief Executive of the Department approved the transfer of operational employees within the Workforce division of the Department to the Local Health Networks and SA Ambulance Service Inc (SAAS).

2014-15

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the South Australian Ambulance Service.

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Total income and expenses that transferred were:

	2016 \$'000	2015 \$'000
Staff benefit expenses	-	79
Total expenses	-	79
Net result	-	(79)

Liabilities transferred to the Hospital were:

	2016 \$'000	2015 \$'000
Payables	47	22
Staff benefits	675	390
Total liabilities	722	412
Total net assets transferred	(722)	(412)

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

Transferred out

2014-15

- Effective 16 February 2015 OPS rollover occurred in WCHN and all inventory (except Ipharmacy and Imprest) was transferred out from the Hospital to the Department.

Assets and liabilities transferred from the Hospital were:

	2016 \$'000	2015 \$'000
Other assets	-	414
Total assets	-	414
Total net assets/(liabilities) transferred	-	414

Net assets transferred by the Hospital as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

33 Contingent assets and liabilities

The Hospital is not aware of any contingent assets or liabilities.

Guarantees

The Hospital has made no guarantees.

34 Cash flow reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	23,464	23,143
Cash as per Statement of Financial Position	23,464	23,143
Balance as per the Statement of Cash Flows	23,464	23,143
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	3,949	18,259
Department for Health and Ageing contributions for the provision of health services	(377,279)	(379,677)
Add/less non-cash items		
Depreciation and amortisation expense of non-current assets	(7,521)	(7,259)
Gain/loss on sale or disposal of non-current assets	(156)	(229)
Increments/decrements on revaluation of non-current assets	(113)	(635)
Assets acquired at no cost or nominal consideration	1,434	20
Capital revenues	-	1,158
Movement in assets and liabilities		
Increase (decrease) in receivables	1,221	(1,183)
Increase (decrease) in inventories	80	593
(Increase) decrease in staff benefits	(7,670)	(5,011)
(Increase) decrease in payables and provisions	(3,604)	(151)
(Increase) decrease in other liabilities	101	463
Net cost of providing services	(389,558)	(373,652)

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35 Transactions with SA Government

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

Note	SA Government		Non-SA Government		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
4 Staff benefit expenses	1,057	775	325,750	307,274	326,807	308,049
Salaries and wages	-	-	256,249	247,139	256,249	247,139
TVSP (refer below)	-	-	224	1,997	224	1,997
Long service leave (LSL)	-	-	14,515	7,127	14,515	7,127
Annual leave	-	-	24,293	22,459	24,293	22,459
Skills and experience retention leave (SERL)	-	-	1,383	1,297	1,383	1,297
Staff on-costs - superannuation	-	-	26,551	26,257	26,551	26,257
Workers compensation	-	1	2,597	1,242	2,597	1,243
Board and committee fees	-	-	48	59	48	59
Other staff related expenses	1,057	774	(110)	(303)	947	471
5 Supplies and services	43,083	45,803	60,753	58,955	103,836	104,758
Administration	65	47	525	884	590	931
Advertising	70	83	128	230	198	313
Communication	32	18	1,576	1,281	1,608	1,299
Computing	3,899	4,053	341	378	4,240	4,431
Contractors	403	408	248	10	651	418
Contractors - agency staff	5,739	6,130	2,934	2,220	8,673	8,350
Consultants	-	-	9	36	9	36
Contract of services	-	-	3	12	3	12
Cost of goods sold	-	-	-	1	-	1
Drug supplies	301	124	8,412	7,950	8,713	8,074
Electricity, gas and fuel	40	107	3,131	3,536	3,171	3,643
Fee for service	112	107	3,011	3,297	3,123	3,404
Food supplies	278	201	2,068	1,975	2,346	2,176
Housekeeping	431	376	9,962	10,128	10,393	10,504
Insurance	5,332	5,131	10	9	5,342	5,140
Internal SA Health SLA payments	2,585	5,011	-	-	2,585	5,011
Interstate patient transfers	-	-	-	3	-	3
Legal	102	105	42	14	144	119
Medical, surgical and laboratory	11,844	11,400	10,122	8,831	21,966	20,231
Minor equipment	139	176	901	1,394	1,040	1,570
Motor vehicle expenses	2,029	2,185	310	322	2,339	2,507
Occupancy rent and rates	1,512	1,797	3,773	2,646	5,285	4,443
Patient transport	1,219	793	290	184	1,509	977
Payments to Shared Services SA	2,536	2,558	-	-	2,536	2,558
Periodical, journals and publications	1	1	83	190	84	191
Postage	2	4	685	527	687	531
Printing and stationery	99	59	1,645	1,441	1,744	1,500
Rental expense on operating lease	77	78	101	166	178	244
Repairs and maintenance	3,682	4,331	701	1,545	4,383	5,876
Security	60	47	976	895	1,036	942
Staff training and development	145	32	2,762	2,774	2,907	2,806
Staff travel expenses	2	1	2,414	2,357	2,416	2,358
Waste removal	-	-	80	1	80	1
Other supplies and services	347	440	3,510	3,718	3,857	4,158

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Note	SA Government		Non-SA Government		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
6 Depreciation and amortisation expense	-	-	7,521	7,259	7,521	7,259
Buildings and improvements	-	-	5,502	5,270	5,502	5,270
Site improvements	-	-	16	13	16	13
Computing equipment	-	-	-	16	-	16
Medical, surgical, dental and biomedical equipment	-	-	1,643	1,558	1,643	1,558
Power generation and transmission	-	-	75	75	75	75
Other plant and equipment	-	-	189	157	189	157
Leasehold improvements	-	-	75	154	75	154
Intangible assets	-	-	21	16	21	16
7 Grants and subsidies	-	-	63	33	63	33
Recurrent grants	-	-	-	33	-	33
Funding to non-government organisations	-	-	63	-	63	-
8 Other expenses	223	4	296	919	519	923
Bad and doubtful debts	-	-	(17)	471	(17)	471
Donated assets expense	215	-	-	-	215	-
Bank fees and charges	2	-	21	39	23	39
Other (excluding audit fees)	6	4	292	409	298	413
9 Auditor's remuneration	174	180	-	-	174	180
Auditor fees - auditing financial statements	174	180	-	-	174	180
Auditor fees - other services	-	-	-	-	-	-
TOTAL EXPENSES	44,537	46,762	394,383	374,440	438,920	421,202
INCOME						
10 Revenue from fees and charges	14,748	15,491	20,444	21,030	35,192	36,521
Fines, fees and penalties	-	-	-	1	-	1
Interstate patient transfers	-	-	2	3	2	3
Insurance recoveries from health services	12	97	-	-	12	97
Patient and client fees	-	-	10,132	11,531	10,132	11,531
Private practice fees	-	-	2,188	2,359	2,188	2,359
Recoveries	14,588	14,943	1,632	1,869	16,220	16,812
Sale of goods - medical supplies	13	102	220	228	233	330
Other user charges and fees	135	349	6,270	5,039	6,405	5,388
11 Grants and contributions	4,120	4,099	2,995	2,050	7,115	6,149
Commonwealth grants and donations	-	-	545	630	545	630
Other grants and contributions from SA Government agencies	4,120	4,099	-	-	4,120	4,099
Private sector capital contributions	-	-	717	168	717	168
Private sector grants and contributions	-	-	1,733	1,252	1,733	1,252
12 Interest revenue	261	178	2	60	263	238
Interest from SAFA	-	17	-	-	-	17
Bank interest	-	-	2	60	2	60
Interest on Special Purpose Funds (SPF)	261	161	-	-	261	161
13 Resources received free of charge	-	-	1,435	20	1,435	20
Plant and equipment	-	-	1,219	20	1,219	20
Buildings	-	-	216	-	216	-
14 Net loss from disposal of non-current assets	-	-	(156)	(229)	(156)	(229)
Total proceeds from disposal	-	-	22	16	22	16
Less total value of assets disposed	-	-	(178)	(245)	(178)	(245)

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Note	SA Government		Non-SA Government		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
15 Other revenue	1,032	912	4,379	4,574	5,411	5,486
Commissions revenue	-	-	54	50	54	50
Dividend revenue	-	-	60	57	60	57
Training revenue	8	10	155	604	163	614
Donations received	-	-	801	607	801	607
Car parking revenue	-	-	2,289	2,204	2,289	2,204
Other	1,024	902	1,020	1,052	2,044	1,954
16 Revenue from SA Government	377,279	379,677	-	-	377,279	379,677
Recurrent funding	374,597	375,119	-	-	374,597	375,119
Capital funding	2,682	3,035	-	-	2,682	3,035
TVSP recovery funds from Department of Treasury and Finance	-	1,523	-	-	-	1,523
TOTAL INCOME	397,440	400,357	29,099	27,505	426,539	427,862
FINANCIAL ASSETS						
17 Cash and cash equivalents	22,730	21,628	734	1,515	23,464	23,143
Cash at bank or on hand - non- government financial institutions	-	-	698	1,478	698	1,478
Deposits with Treasurer	22,730	21,628	-	-	22,730	21,628
Imprest account/cash on hand	-	-	36	37	36	37
18 Receivables	2,152	1,845	6,897	5,983	9,049	7,828
Patient/client fees	-	-	-	-	-	-
Compensable	-	-	475	904	475	904
Other	-	-	4,424	3,852	4,424	3,852
Workers compensation provision recoverable	2,038	1,545	-	-	2,038	1,545
Dividends receivable	-	-	15	17	15	17
Prepayments	3	-	586	157	589	157
Debtors	111	300	1,757	1,818	1,868	2,118
Less: allowance for doubtful debts	-	-	(1,206)	(1,677)	(1,206)	(1,677)
Sundry receivables and accrued revenue	-	-	726	663	726	663
GST recoverable	-	-	120	249	120	249
20 Other financial assets	-	-	1,176	1,182	1,176	1,182
Other investments	-	-	1,176	1,182	1,176	1,182
TOTAL FINANCIAL ASSETS	24,882	23,473	8,807	8,680	33,689	32,153
FINANCIAL LIABILITIES						
25 Payables	1,009	1,584	16,912	12,749	17,921	14,333
Creditors and accrued expenses	1,009	1,584	10,271	5,824	11,280	7,408
Paid Parental Leave Scheme payable	-	-	71	110	71	110
Staff on-costs	-	-	6,171	6,065	6,171	6,065
Other payables	-	-	399	750	399	750
28 Other liabilities	-	(5)	291	397	291	392
Unclaimed monies	-	-	99	119	99	119
Unearned revenue	-	-	108	201	108	201
Other	-	(5)	84	77	84	72
TOTAL FINANCIAL LIABILITIES	1,009	1,579	17,203	13,146	18,212	14,725

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36 Remuneration of board and committee members

Members of boards/committees that served for all or part of the financial year were:

Audit and Risk Committee

Connor G (Chair)

Dwyer N *

McFarlane A

Sutherland A Dr (resigned 17/12/2015)

Sweet C

Wigg N Dr (appointed 31/5/2016)

Women's and Children's Health Network Advisory Council Incorporated

Wallace M (Chair)

Fereday J Dr *

Sutherland A Dr (resigned 17/12/2015)

Buza Y

Wigg N Dr

Petersen R Associate Prof* (resigned 19/2/2016)

Cadzow M

Buckerfield M

Seiboth C (resigned 20/08/2015)

* denotes government employees

	2016	2015
The number of members whose remuneration received or receivable falls within the following bands	No. of Members	No. of Members
\$0	4	5
\$1 - \$9,999	8	9
\$10,000 - \$19,999	1	2
Total	13	16

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 \$0.0482 million (\$0.059 million).

In accordance with the *Department of the Premier and Cabinet Circular No. 016*, government employees did not receive any remuneration for board/committee duties during the financial year.

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

37 Events after the reporting period

The Hospital is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

38 Schedules of administered funds

The following incomes, expenses, assets and liabilities were administered but not controlled by the Hospital and have not been included in the financial statements. In accordance with Accounting Policy Framework II *General Purpose Financial Statements* para. APS 3.13.2, these items are regarded as insignificant to the Hospital's overall performance and are disclosed in the following schedules.

Schedule of administered expenses and Income
for the year ended 30 June 2016

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered expenses			
Staff benefit expenses	49	-	49
Supplies and services	412	14	426
Other expenses	113	5,392	5,505
Total administered expenses	574	5,406	5,980
Administered income			
Revenues from fees and charges	619	5,521	6,140
Other revenues	6	-	6
Total administered income	625	5,521	6,146
Net result	51	115	166

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	Strata Corp	Other admin funds	Total
	2015	2015	2015
	\$'000	\$'000	\$'000
Administered expenses			
Staff benefit expenses	48	-	48
Supplies and services	32	28	60
Grants and subsidies	-	8	8
Other expenses	112	6,085	6,197
Total administered expenses	192	6,121	6,313
Administered income			
Revenues from fees and charges	177	5,975	6,152
Other revenues	6	-	6
Total administered income	183	5,975	6,158
Net result	(9)	(146)	(155)

Schedule of administered assets and liabilities
as at 30 June 2016

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	106	731	837
Receivables	52	24	76
Total administered current assets	158	755	913
Total administered assets	158	755	913
Administered current liabilities			
Payables	22	12	34
Total administered current liabilities	22	12	34
Total administered liabilities	22	12	34
Net administered assets	136	743	879

	Strata Corp	Other admin funds	Total
	2015	2015	2015
	\$'000	\$'000	\$'000
Administered current assets			
Cash and cash equivalents	89	714	803
Receivables	13	(48)	(35)
Total administered current assets	102	666	768
Total administered assets	102	666	768
Administered current liabilities			
Payables	17	38	55
Total administered current liabilities	17	38	55
Total administered liabilities	17	38	55
Net administered assets	85	628	713

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

**Schedule of administered changes in equity
for the year ended 30 June 2016**

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Balance at the beginning of the reporting period	85	628	713
Net income/expenses recognised directly in equity	85	628	713
Net result	51	115	166
Balance at the end of the reporting period	136	743	879

	Strata Corp	Other admin funds	Total
	2015	2015	2015
	\$'000	\$'000	\$'000
Balance at the beginning of the reporting period	94	774	868
Restated Opening Balance	94	774	868
Net result	(9)	(146)	(155)
Balance at the end of the reporting period	85	628	713

**Schedule of Administered Cash Flows
for the year ended 30 June 2016**

	Strata Corp	Other admin funds	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Fees and charges	580	5,449	6,029
Other revenue	6	-	6
Total cash inflows	586	5,449	6,035
Cash outflows			
Staff benefit payments	49	-	49
Supplies and services	407	39	446
Other payments	113	5,393	5,506
Total cash outflows	569	5,432	6,001
Net cash inflows/cash outflows from operating activities	17	17	34
Net increase / (decrease) in cash held	17	17	34
Cash at the beginning of the reporting period	89	714	803
Cash at the end of the reporting period	106	731	837

WOMEN'S AND CHILDREN'S HEALTH NETWORK
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	Strata Corp	Other admin funds	Total
	2015	2015	2015
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Cash inflows			
Fees and charges	181	6,046	6,227
Other revenue	6	-	6
Total cash inflows	187	6,046	6,233
Cash outflows			
Staff benefit payments	48	-	48
Grants and subsidies	-	8	8
Supplies and services	20	80	100
Other payments	112	6,085	6,197
Total cash outflows	180	6,173	6,353
Net cash inflows/cash outflows from operating activities	7	(127)	(120)
Net increase / (decrease) in cash held	7	(127)	(120)
Cash at the beginning of the reporting period	82	841	923
Cash at the end of the reporting period	89	714	803

Administered expenses and administered cash outflows

The Hospital makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Hospital, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered incomes and administered cash inflows

The Hospital collects various revenues and grants on behalf of government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered revenues and administered cash inflows.

Administered assets and liabilities

The Hospital manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered assets and liabilities.

Administered contingent assets and liabilities

The Hospital has no administered contingent assets and liabilities.

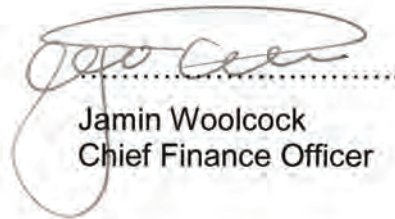
Certification of the financial statements

We certify that the:

- financial statements of the Women's and Children's Health Network Inc.:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Women's and Children's Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Naomi Dwyer
Chief Executive Officer



Jamin Woolcock
Chief Finance Officer

Date 16 / 9 / 2016



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To the Chief Executive Officer Women's and Children's Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36 of the *Health Care Act 2008*, I have audited the accompanying financial report of the Women's and Children's Health Network Incorporated for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive Officer and the Chief Finance Officer.

The Chief Executive Officer's responsibility for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act* and Australian Accounting Standards, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on SA Health's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Women's and Children's Health Network Incorporated as at 30 June 2016, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal line extending to the right.

Andrew Richardson

Auditor-General

22 September 2016

Health Services Charitable Gifts Board

Financial report
for the year ended
30 June 2016

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Income			
Gifts to public health entities vesting in the Board		6,854	11,554
Revenue from Helpman Family Foundation	1.3	234	230
Investment revenue	5	3,204	9,346
Rental revenue	13	2,460	2,823
Other revenue		16	24
Total Income		12,768	23,977
Expenses			
Employee & Commissioner expenses	6	252	241
Supplies and services	7	194	169
Investment property expenses	13	295	710
Funds distributed to public health entities & prescribed research bodies		6,811	9,619
Total Expenses		7,552	10,739
Net Profit		5,216	13,238
Other Comprehensive Income			
Financial asset revaluations taken to equity		-	1,228
Revaluation adjustment on disposal of financial assets	8	-	(6,928)
Net gain (loss) on financial assets recognised directly in equity		-	(5,700)
Total Comprehensive Result		5,216	7,538

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	10	2,160	1,931
Other financial assets	11	2,531	-
Receivables	12	574	1,018
Investment properties held for sale	13	4,665	4,100
Total Current Assets		<u>9,930</u>	<u>7,049</u>
Non-current Assets			
Other financial assets	11	82,867	76,480
Receivables	12	49	60
Investment properties	13	24,685	29,084
Property, plant & equipment	14	31	5
Total Non-current Assets		<u>107,632</u>	<u>105,629</u>
Total Assets		<u>117,562</u>	<u>112,678</u>
Current Liabilities			
Payables	15	132	173
Other financial liabilities	16	28	319
Employee benefits	17	8	8
Total Current Liabilities		<u>168</u>	<u>500</u>
Total Liabilities		<u>168</u>	<u>500</u>
Net Assets		<u>117,394</u>	<u>112,178</u>
Funds Held			
Funds held		117,394	112,178
Retained earnings		-	-
Total Funds Held	18	<u>117,394</u>	<u>112,178</u>
Unrecognised contractual commitments	21		
Contingent assets and liabilities	22		

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	Note No.	Funds Held \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Funds Held \$'000
Balance at 30 June 2014		98,944	5,700	-	104,644
Gain on revaluation of investments	2(m)	-	1,228	-	1,228
Realised investment revaluation transferred	8	-	(6,928)	-	(6,928)
Net income recognised directly in equity for 2014-15		-	(5,700)	-	(5,700)
Net Profit for 2014-15		-	-	13,238	13,238
Total comprehensive result for 2014-15		-	(5,700)	13,238	7,538
Net Profit to Brown Charitable Trust		-	-	(4)	(4)
Net Profit to Funds Held	2(i)	13,234	-	(13,234)	-
Total Change for the period		13,234	(5,700)	-	7,534
Balance at 30 June 2015		112,178	-	-	112,178
Net Profit for 2015-16		-	-	5,216	5,216
Total comprehensive result for 2015-16		-	-	5,216	5,216
Net Profit to Funds Held	2(i)	5,216	-	(5,216)	-
Total Change for the period		5,216	-	-	5,216
Balance at 30 June 2016		117,394	-	-	117,394

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
Cash Inflows			
Rent		2,652	3,109
Dividends and trust distributions		1	1,507
Imputation credits		712	438
Interest		480	1,510
Other Income		18	27
Helpman Family Foundation		234	230
Gifts to public health entities vesting in the Board		6,855	11,554
Other receipts		412	-
Cash generated from operations		<u>11,364</u>	<u>18,375</u>
Cash Outflows			
Supplies and services		(602)	(1,041)
Employee benefits payments		(232)	-
Funds distributed to public health entities & prescribed research bodies		(6,820)	(9,448)
Other payments		(24)	-
GST paid to the ATO		(563)	(218)
Cash used in operations		<u>(8,241)</u>	<u>(10,707)</u>
Net cash provided by operating activities	19	<u>3,123</u>	<u>7,668</u>
Cash flows from Investing Activities			
Cash Inflows			
Proceeds from the sale of investment property		4,055	-
Proceeds from the sale/maturity of investments		-	23,797
Funds received - Dorothy E Brown Charitable Trust	1.6	-	287
Other receipts		9	-
Cash generated from investing activities		<u>4,064</u>	<u>24,084</u>
Cash Outflows			
Purchase of improvements to investment properties		(157)	(522)
Purchase of property, plant & equipment		(8)	(30)
Purchase of investments		(6,500)	(53,749)
Payment to - Dorothy E Brown Charitable Trust	1.6	(293)	-
Cash used in investing activities		<u>(6,958)</u>	<u>(54,301)</u>
Net cash provided by (used in) investing activities		<u>(2,894)</u>	<u>(30,217)</u>
Net increase/(decrease) in cash and cash equivalents		229	(22,549)
Cash and cash equivalents at 1 July		1,931	24,480
Cash and cash equivalents at 30 June	10	<u>2,160</u>	<u>1,931</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

1 Objectives of the Health Services Charitable Gifts Board

The *Health Services Charitable Gifts Act 2011* was proclaimed on 30 June 2011 and commenced on 1 July 2011 (the HSCG Act). This replaced the Public Charities Funds Act 1935 which previously applied.

Pursuant to the HSCG Act, prescribed gifts made to or received by public health entities (as defined in the HSCG Act and Regulations) vest in the Board. A prescribed gift means property given to a public health entity. Such gifts form part of the charitable asset, which the Board prudentially manages and applies for the benefit of public health entities.

These financial statements have been prepared in accordance with the requirements of the HSCG Act.

1.1 Vesting of Gifts

On the commencement of the HSCG Act all property previously vested in the Commissioners of Charitable Funds formed part of the charitable assets of the Board.

The HSCG Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles.

The Board has been appointed as trustee of the following trusts:-

- Ray & Shirl Norman Cancer Research Trust (Norman Trust) refer to Note 1.4.
- South Australian Health & Medical Research Institute Charitable Health Trust (SCHI) refer to Note 1.5.
- Dorothy E Brown Charitable Trust (Brown Trust) refer Note 1.6.

As the assets have not vested in the Board the operations of the each of the above trusts are reported separately from those of the Board.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

1.2 Investment of Funds

Under the HSCG Act the Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply.

Pursuant to section 23 of the HSCG Act, the Board meets regularly with the public sector employee who has been nominated by the Minister.

The Board was granted registration as a Prescribed Public Authority during the previous year and as a result the Board now primarily invests in a range of investment products offered by Funds SA. Funds SA is a South Australian Government owned corporation investing and managing the monies of prescribed authorities.

During the previous year the Board transferred the majority of its direct investments in Australian listed securities and short term deposit accounts into unlisted unit trusts managed by Funds SA.

1.3 Helpman Family Foundation

The income received from the Helpman Family Foundation has been recorded separately in the Statement of Comprehensive Income as none of the assets contained in the SM & MG Helpman Estates have been received by the Board but remain assets of the Foundation.

1.4 Ray & Shirl Norman Cancer Research Trust

The Board was appointed as sole trustee of the Norman Trust on 21 September 2011 by way of orders from the Supreme Court of South Australia.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the document establishing the Norman Trust.

Attached to these financial statements are special purpose financial reports for the Norman Trust for the year ended 30 June 2016.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

1.5 South Australian Health and Medical Research Institute Charitable Health Trust

The Board was appointed as trustee of the SCHAT on 23 September 2013 pursuant to a Ministerial Direction and the Trust Deed.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the Deed establishing the SCHAT.

Attached to these financial statements are special purpose financial reports for the SCHAT for the year ended 30 June 2016.

The Minister for Health has advised the Board by letter dated 3 August 2016 that Cabinet has approved the transfer of SCHAT to a new Trustee at SAHMRI. The letter advised that the purposes of the Trust will remain the same and will remain consistent with the objectives of the HSCG Act.

1.6 Dorothy E Brown Charitable Trust

The Board was appointed as trustee of the Brown Trust on 17 December 2014 pursuant to a Deed Poll following Supreme Court action required to clarify the terms of the will of the late Mrs Dorothy E Brown.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the Deed establishing the Brown Trust. Initially the assets of the Brown Trust were pooled and invested by the Board with its other assets and the corresponding obligation to the Brown Trust recognised as a liability in the records of the Board.

During the current year the balance of the Brown Trust was transferred to Funds SA into an account in the name of the Brown Trust.

Attached to these financial statements are special purpose financial reports for the Brown Trust for the year ended 30 June 2016.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

a) Statement of Compliance

The Health Services Charitable Gifts Board has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied Australian Accounting Standards that are applicable to for-profit entities as the Board has been granted a variation to APS clause 3.3 to allow for the presentation of the Statement of Compliance on a profit and loss basis.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2016. These are outlined in Note 4.

b) Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements 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; and
- compliance with accounting policy statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - a) expenses incurred as a result of engaging consultants; and

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

b) Basis of Preparation (continued)

b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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.

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

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

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

The Board has been granted exemption from APS 2.1 contained within the *Accounting Policy Framework IV - Financial Asset and Liability Framework* which requires that financial assets be reported at cost. As a result the Board continues to report its financial assets at market value as this is considered to be appropriate given the nature of the activities of the Board and the users of the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

c) Reporting Entity

The financial report covers the Health Service Charitable Gifts Board as an individual reporting entity. The Board was established pursuant to the *Health Services Charitable Gifts Act 2011*.

The Board does not control any investees, has no joint arrangements and no interest in unconsolidated structures.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

d) Comparative Information

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

Where the presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

e) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000) unless otherwise specified.

f) Taxation and Imputation Credits

The Health Services Charitable Gifts Board is exempt from income tax and has been issued with Deductible Gift Recipient (DGR) status by the Australian Taxation Office (ATO). As a result, a donation received by the Board may be an allowable deduction to the donor.

Notwithstanding the income tax exempt status, the Board is entitled to a refund of excess imputation credits. The Board recognises the entitlement to this refund as revenue at the time of receipt of the franked dividend or distribution.

The Board is liable for goods and services tax (GST), emergency services levy and local government rates.

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, and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST payable to the ATO is included as part of payables in the Statement of Financial Position.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

f) Taxation and Imputation Credits (continued)

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is 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 the reporting period

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

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

h) Income and Expenses

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

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

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

Gifts of cash vesting in the Board are recognised on their receipt by the Board from the donee either directly or via a public health entity. Bequests and legacies are also only recognised on their receipt from the administrators or executors of an estate.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

h) Income and Expenses (continued)

Gifts other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.

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

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 income is recognised when the right to receive payment is established.

Distribution income due in relation to units held in unlisted unit trusts is recognised when the entitlement to receive that income is established.

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

Expenses

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

The following are specific recognition criteria:

Funds distributed to public health entities and prescribed research bodies are recognised as an expense once the expenditure claim has been approved by the Board.

Employee benefits expense include all costs related to employment including wage, salaries, non-monetary benefits and leave entitlements. These are recognised when incurred, at nominal value.

Superannuation charged to the Statement of Comprehensive Income represents contributions made by the Board to the superannuation plan in respect of the current services of current staff.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

h) Income and Expenses (continued)

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

Depreciation of property, plant and equipment is applied to systematically expense the cost over the useful life of the item in a manner that reflects the consumption of its service potential.

Amortisation is used in relation to other intangible non-current assets, such as lease incentives paid.

Residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

Class of asset	Useful life (years)
Computer Equipment	2-5
Lease incentive paid	Term of the lease

i) Allocation of Net Profit to Funds

The net profit has been allocated to each of the individual funds held for the public health entities in accordance with the following policy.

Income generated by pooled assets held by the Board is distributed to individual funds based on the average balance of each fund after allowing for administration expenses incurred.

Gifts, other investment income and expenses that are directly related to an individual fund are allocated directly to that fund.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

j) Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of twelve 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 twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Board 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 recorded in the Statement of Financial Position includes cash at bank and on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

l) Receivables

Receivables include amounts receivable from goods and services, imputation credits refundable, prepayments and other accruals.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. No allowance has been raised for bad or doubtful debts as there is no evidence that the Board will not be able to collect any debts due.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

m) Other Financial Assets

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

For the purposes of reporting the Board classifies its investments into categories. The classification depends on the purpose for which the investments were acquired and to meaningfully report the performance of the investments. Management determines the classification of its investments at initial recognition and at each reporting date.

The Board classifies its other investments into the following categories:

- financial assets at fair value through profit and loss.
- held to maturity investments; and
- available for sale financial assets.

Financial assets at fair value through the profit and loss - these assets are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Held to maturity investments - these are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management have the ability and the positive intention to hold to maturity. They are measured at historical cost.

Available-for-sale financial assets - these assets include marketable equity securities. They are included in non-current assets unless management intend to dispose of the investment within twelve months of the balance sheet date. They are measured at fair value with changes to fair value taken to the Investment Reserve established for that purpose.

Shares and other financial assets have been recorded at fair value at 30 June 2016.

In accordance with AASB 13: *Fair Value Measurement*, the fair value of financial assets are classified, according to fair value hierarchy, at Level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

m) Other Financial Assets (continued)

Fair value in an active market

The fair value of financial assets traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current final prices.

Fair value of unlisted unit trusts (Funds SA)

Investments in other unlisted unit trusts are recorded at the fair value as reported by the managers of such funds.

n) Investment Properties

Investment properties represent properties held to earn rentals and/or capital appreciation. Notwithstanding the occupation of a small area of one of the properties, the Board has determined that it is appropriate to treat all properties as investment properties.

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any changes in fair value are recognised in the Statement of Comprehensive Income in the periods in which they arise. The properties are not depreciated.

The Board's interest in Town Acre 86 was last revalued as at 30 June 2015 in line with the Valuer General's assessment as to the value at that date. Pursuant to the Head lease the underlying value of the Board's interest is revalued every 5 years. The next valuation is due in August 2016 and is currently in progress. The current lease expires 19 August 2019. The Head lessee has given notice under the lease of their intention to exercise their option to renew for a further term of 33 years.

The Clare property was valued at 13 July 2016 by Lindsay Wapper & Associates Valuation Services. As a result the carrying value has reduced as at 30 June 2016.

The Torrens Road, Croydon property was valued at 30 June 2016 by McGees Property. As a result the carrying value increased as at 30 June 2016. This property is currently the subject of a marketing campaign for its disposal and therefore has been reclassified as available for sale. (Note 13).

It was reported in the previous year that the property at 8 Greenhill Road Wayville was unfit for occupation as a result of structural defects and was available for sale with vacant possession. The sale of the property was completed during October 2015 and the difference between the selling price and the carrying value at that time reported in the Statement of Comprehensive Income.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

n) Investment Properties (continued)

The Board has determined that the appropriate fair value of the Waymouth Street, Adelaide property should be that advised by the Valuer General. As a result the carrying value has reduced as at 30 June 2016.

o) Impairment

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

For revalued assets an impairment loss is offset against the respective Revaluation Surplus.

Impairment is generally limited to where an asset's replacement cost is falling.

p) Liabilities

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

Payables

Payables include accrued expenses, net GST payable and employment on-costs.

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

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

Employee benefits on-costs include superannuation contributions in respect of outstanding liabilities for salaries and wages and annual leave.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

p) Liabilities (continued)

Employee benefits

The liability for salary and wages is 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 nominal amount expected to be paid.

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

q) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

3 Financial Risk Management

The Board is exposed to a variety of financial risks, market risk, credit risk and liquidity risk. Risk management policies and practices are in accordance with internal written policies and approved by the Board.

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

The Board's exposure to cash flow interest risk is minimal. The Board is exposed to price risk for changes in interest rates that relate to investments at fair value.

The Board has exposure to market risk in relation to its investment portfolio. The portfolio is diversified, regularly reviewed and invested with Funds SA pursuant to external investment advice.

The Board has no significant concentration of credit risk. The Board has policies and procedures in place to ensure that transactions occur with entities with appropriate credit ratings.

4 New and revised accounting standards and policies

The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

Other than as disclosed above the Board did not voluntarily change any of its accounting policies during 2015-2016.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
5 Investment revenue			
Interest revenue		468	1,263
Dividends & distributions from listed investments		1	1,489
Distributions from unlisted units trusts		2,501	1,966
Imputation credits	2(f)	251	669
(Loss) Gain from disposal of financial assets	8	(329)	6,651
Unrealised gain (loss) on financial assets		248	(2,917)
Unrealised gain on investment properties	2(n), 13	114	225
(Loss) Gain from disposal of investment property	13	(50)	-
		<u>3,204</u>	<u>9,346</u>

In the previous year as noted in Note 1.2 the Board transferred a substantial portion of its investment portfolio into Funds SA investment products. The transfer lead to the realisation of various gains and losses which were recognised accordingly.

6 Employee & Commissioner expenses

Salary and wages	184	169
Superannuation paid	18	16
Annual leave accrued	-	8
	<u>202</u>	<u>193</u>
Commissioners remuneration	50	48
Total employee & Commissioner expense	<u>252</u>	<u>241</u>

No employees earned or were remunerated at a level equal to or in excess of the base executive remuneration level.

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, other salary sacrifice benefits and accrued annual leave entitlements.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
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6 Employee & Commissioner expenses (continued)

Number of Commissioners whose remuneration was within the following bands :

\$10,000 - \$19,999	No.	2	2
\$20,000 - \$29,999	No.	1	1

Commissioners remuneration reflects all costs of performing Commissioners' duties including sitting fees, superannuation contributions and any other salary sacrifice arrangements. Total remuneration received by Commissioners was \$50,000 (2015: \$48,000).

Amounts included above that were paid to a superannuation plan for the Commissioners' was \$4,000 (2015: \$4,000).

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

The Commissioners holding office during the year were:

Robyn Pak-Poy (Chairman)
Geoff Loveday
Villis Marshall

7 Supplies and services

Accounting fees		35	24
Auditors remuneration		34	33
Consultancy fees	9	60	59
General administration expenses		65	53
		<u>194</u>	<u>169</u>

Audit fees payable to the Auditor General's Department relate to the audit of the financial statements.

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

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
8 (Loss) / Gain from disposal of financial assets			
Financial Assets - held for sale			
Shares in listed companies			
Proceeds from disposal		-	26,505
Less: Costs of disposal		-	(1)
		-	26,504
Less Net carrying value at time of disposal		-	(26,777)
		-	(273)
Add amounts already recognised in equity		-	6,928
Net gain - financial assets held for sale		-	6,655
Financial Assets - through Profit & Loss			
Units in unlisted trusts			
Proceeds from disposal		12,500	23,250
Less Cost		(12,829)	(23,254)
Net (loss) - financial assets through profit & loss		(329)	(4)
(Loss) / Gain from the disposal of financial assets		(329)	6,651

9 Consultancy fees

The number and dollar amount of consultancies paid/payable that fell within the following bands:

	No.	\$'000	No.	\$'000
Below \$10,000	2	17	1	5
\$10,000 to \$50,000	1	43	2	54
		60		59

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
10 Cash and cash equivalents			
- Current			
Cash at bank - at call		2,160	1,931
		<u>2,160</u>	<u>1,931</u>
11 Other financial assets			
- Current			
Units in unlisted unit trusts at fair value		2,531	-
		<u>2,531</u>	<u>-</u>
- Non-current			
Shares & other listed securities at fair value		6	8
Secured investment at cost		445	445
Long term secured loan at cost		15,000	15,000
Units in unlisted unit trusts at fair value		67,416	61,027
		<u>82,867</u>	<u>76,480</u>

The secured investment is an advance to the Port Pirie Regional Health Service Inc. in the form of a first mortgage over land and buildings held by the Service. Since commencement this investment has been interest free. Under the terms of the agreement the Service has foregone income allocations on an equivalent amount. The Board has no intention of varying the original arrangement.

The Board provided a loan of \$15m to South Australian Health and Medical Research Institute (SAHMRI) in the 2014 year for a total period of 15 years. Only interest is payable on the loan for the first 5 years. Principal and interest payments apply from the quarter ended December 2018. The loan is secured against other funds held and invested by SAHMRI Investments Pty Ltd and guaranteed by SAHMRI. The interest rate is based on the Reserve Bank of Australia Cash Rate plus a margin of 0.75%.

The funds have been used by SAHMRI to acquire, establish and commission a Cyclotron facility in South Australia to produce isotopes for use by South Australian organisations.

There was a shortfall at balance date and at other times during the current year of funds held in SAHMRI Investment Pty Ltd, as security for the Cyclotron loan, thereby not complying with a covenant of the loan agreement. Notwithstanding this the Board considers that the loan is not impaired as all payments have been received from SAHMRI in accordance with the agreement. The Board has also been assured by SAHMRI personnel that the shortfall of funds in SAHMRI Investments Pty Ltd will be remedied in the short term.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
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11 Other financial assets (continued)

During the previous year the Board transferred the majority of its direct investments in Australian listed securities and short term deposit accounts into unlisted unit trusts managed by Funds SA.

Fair Value Measurements

Accounting standard AASB 13: *Fair Value Measurement* requires the disclosure of fair value measurements by level, based on the following measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of shares and other listed securities traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of all of these instruments have been categorised as Level 1.

The fair value of units in unlisted trusts is based on fair value reported by the managers of such funds. The fair value of all of these instruments have been categorised as Level 2.

12 Receivables

- Current

Interest income accrued	101	112
Rental income accrued	180	170
Other income receivable	38	1
Prepayments - Legal fees	12	5
Prepayments - Other	35	61
Imputation credits receivable	208	669
	<u>574</u>	<u>1,018</u>

- Non-current

Other income receivable	19	-
Prepayments - Other	30	60
	<u>49</u>	<u>60</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
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12 Receivables (continued)

Other income receivable includes amounts of \$38,000 (current) and \$19,000 (non-current) relating to amounts owing from the previous owner of the Clare investment property. The previous owner agreed to pay the Board an amount of \$75,000 in compensation relating to a number of matters concerning the condition of the building at the time of purchase by the Board. This amount is payable in 4 equal instalments at six monthly intervals with interest payable at the rate of 5% pa.

Prepayments - Legal fees includes \$12,000 (2015: \$5,000) in fees paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest were recognised as receivables. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective estates.

Prepayments - Other includes amounts of \$30,000 (current) and \$30,000 (non-current) relating to the unexpired portion of lease incentive paid to secure a long term lease over the Torrens Road investment property. The total amount paid was \$150,000 and it is being expensed in a straight line over the 5 year period of the lease which commenced 1 July 2013.

Interest rate and credit risk - Apart from the Clare compensation amount referred to above all receivables are non-interest bearing. The carrying amount approximates net fair value due to being receivable on demand. Rental income accrued includes \$180,000 (2015: \$170,000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
13 Investment properties			
- At fair value			
Balance at the beginning of the financial year		33,184	32,485
Disposals at carrying value		(4,105)	-
Capitalised subsequent expenditure		157	474
Unrealised gain for the year		114	225
Balance at the end of the financial year		<u>29,350</u>	<u>33,184</u>
- Current			
Investment properties - held for sale		4,665	4,100
- Non-current			
Investment properties - held for long term rental		24,685	29,084
		<u>29,350</u>	<u>33,184</u>
Amounts recognised in the income statement for investment properties			
- Rental operations			
Rent and recoveries revenue		2,460	2,823
Investment property expenses:			
- Direct operating expenses		(295)	(396)
- Lease termination compensation		-	(314)
		<u>(295)</u>	<u>(710)</u>
Net investment property income		<u>2,165</u>	<u>2,113</u>
- Disposal - Greenhill Road			
Proceeds from disposal		4,120	-
Less: Costs of disposal		(65)	-
		<u>4,055</u>	<u>-</u>
Less Net carrying value at time of disposal		(4,105)	-
(Loss) from disposal of investment property		<u>(50)</u>	<u>-</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

Note No.	2016 \$'000	2015 \$'000
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13 Investment properties (continued)

In previous years the Board had identified a number of issues concerning the Clare investment property in relation to the approval process for improvements on the land undertaken by the previous owner. These issues have now been resolved following expenditure on rectification works. Following negotiations, the previous owner agreed to pay compensation of \$75,000 towards the cost of these improvements.

The Board is seeking to lease the part of the property at Torrens Road, Croydon that is currently vacant. Once tenanted the property will be made available for sale. The property has been reclassified as available for sale at the end of the year.

(a) Fair Value Measurements

Accounting standard AASB 13: *Fair Value Measurement* requires the disclosure of fair value measurements by level, based on the following measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2);
- and
- (iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

Fair value measurements for investment properties recognised as at 30 June 2016 are 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 properties. The fair values have been determined by the Board with reference to external valuations as determined by the Valuer General or independent property valuers having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value of all investment properties have been categorised as Level 2 or 3.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
14 Property, plant & equipment			
- Non-current			
Office equipment at cost		40	8
Less: Accumulated depreciation		(9)	(3)
		<u>31</u>	<u>5</u>
15 Payables			
- Current			
Accrued expenses		89	152
GST payable		43	21
		<u>132</u>	<u>173</u>
16 Other financial liabilities			
- Current			
Rent received in advance		28	27
Funds - Dorothy E Brown Charitable Trust		-	292
		<u>28</u>	<u>319</u>

Funds received on the establishment of the Dorothy E Brown Charitable Trust in December 2014 were previously amalgamated with other funds and invested by the HSCGB. A corresponding financial liability to the Trust was recognised in the Statement of Financial Position last year.

During the current year this arrangement was changed. The balance of the assets of the Brown Trust were transferred by the Board to Funds SA for investment for and on behalf of the Brown Trust directly. Apart from a small balance owing by the Brown Trust to the Board (\$1,000) for operating expenses the Board now only acts solely as trustee of the Trust.

17 Employee benefits

- Current

Annual leave accrued	<u>8</u>	<u>8</u>
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All entitlements are for short term leave entitlements for annual leave and are therefore included at their nominal amounts.

As no employee has a period of service in excess of 5 years it is considered that the accrual of a proportional entitlement to any longer term benefits is not warranted.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
18 Funds held			
Funds held on behalf of the following public health entities or their successor bodies:			
Royal Adelaide Hospital - General		92,400	88,680
Royal Adelaide Hospital - Glenside Campus		592	647
Royal Adelaide Hospital - Private Practice Funds		4,377	4,640
Hillcrest Hospital		107	103
Pt Augusta Hospital & Regional Health Service Inc		23	23
Pt Lincoln Health & Hospital Services Inc		392	379
Pt Pirie Regional Health Service Inc		558	554
The Queen Elizabeth Hospital		1,258	1,294
SA Dental Service		8	8
The Whyalla Hospital & Health Services Inc		311	300
Mt Gambier & Districts Health Service Inc		549	752
Northern Yorke Peninsula Regional Health Service		30	29
SA Pathology		10,957	10,589
Women's & Children's Hospital		4,455	3,290
Lyell McEwin Hospital		426	210
Repatriation General Hospital		208	200
Flinders Medical Centre		521	406
Noarlunga Hospital		4	4
BreastScreen SA		1	-
SA Ambulance Service		72	70
Royal Adelaide Hospital, Queen Elizabeth Hospital & Hampstead Joint Funds		145	-
		<u>117,394</u>	<u>112,178</u>

During the current year agreement was reached with Central Adelaide Local Health Network on behalf of the Royal Adelaide Hospital, Queen Elizabeth Hospital and Hampstead to hold funds previously held separately, jointly to reflect the changes in the functional nature in which the services and purposes for which these funds are held.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
19 Reconciliation of net cash from operating activities to net profit:			
Net profit from operations		5,216	13,238
Adjustments for non cash items:			
Loss (Profit) on disposal of financial assets		329	(6,651)
Unrealised (gain) loss on financial assets		(248)	2,917
Distributions from unlisted units trusts		(2,501)	(1,966)
Loss on disposal of investment property		50	-
Unrealised (gain) on investment properties		(114)	(225)
Depreciation expense		7	3
Total non cash adjustments		<u>(2,477)</u>	<u>(5,922)</u>
Changes in assets and liabilities:			
(Increase) decrease in receivables		(5)	458
Decrease (increase) in imputation credits receivable		462	(232)
(Decrease) increase in payables		(71)	100
Increase in employee entitlements		-	8
(Decrease) in unearned revenue		(24)	-
Increase in GST payable		22	18
Total change in net assets and liabilities		<u>384</u>	<u>352</u>
		<u>(2,093)</u>	<u>(5,570)</u>
Net cash from operating activities		<u>3,123</u>	<u>7,668</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

20 Financial Instruments/Financial Risk Management

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

	Note	Carrying Amount		Fair Value	
		2016	2015	2016	2015
Financial Assets					
- Cash & Cash equivalents	10	2,160	1,931	2,160	1,931
- Other financial assets	11	85,398	76,480	85,398	76,480
- Receivables (*)	12	415	409	415	409
Total Financial Assets		<u>87,973</u>	<u>78,820</u>	<u>87,973</u>	<u>78,820</u>
Financial Liabilities					
- Payables (*)	15	54	152	54	152
- Other financial liabilities	16	28	319	28	319
Total Financial Liabilities		<u>82</u>	<u>471</u>	<u>82</u>	<u>471</u>

(*) Receivable and payable amounts disclosed here exclude amounts relating to imputation credits refundable and GST payable, as these obligations are sourced in Legislation.

a) Credit Risk

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

The Board has policies and procedures in place to manage credit risk and to ensure that transactions occur with customers with appropriate credit history. The Board does not hedge its financial assets.

As referred to at Note 11 the Board holds a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc.

Note 11 also refers to the long term secured loan made to SAHMRI to establish a cyclotron facility. The loan is supported by a charge over the assets of SAHMRI Investments Pty Ltd which holds liquid assets in excess of the value of the funds advanced.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

20 Financial Instruments/Financial Risk Management (continued)

There was a shortfall at balance date and at other times during the current year of funds held in SAHMRI Investment Pty Ltd, as security for the Cyclotron loan, thereby not complying with a covenant of the loan agreement. Notwithstanding this the Board considers that the loan is not impaired as all payments have been received from SAHMRI in accordance with the agreement. The Board has also been assured by SAHMRI personnel that the shortfall of funds in SAHMRI Investments Pty Ltd will be remedied in the short term.

The Board does not consider that any of the financial assets are impaired.

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

		Contractual maturities			
	Note	2016	< 1 year	1-5 years	>5 years
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
- Cash & Cash equivalents	10	2,160	2,160	-	-
- Other financial assets	11	85,398	2,531	-	82,867
- Receivables	12	415	366	49	-
Total Financial Assets		87,973	5,057	49	82,867
Financial Liabilities					
- Payables	15	54	54	-	-
- Other financial liabilities	16	28	28	-	-
Total Financial Liabilities		82	82	-	-

		Contractual maturities			
	Note	2015	< 1 year	1-5 years	>5 years
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
- Cash & Cash equivalents	10	1,931	1,931	-	-
- Other financial assets	11	76,480	-	-	76,480
- Receivables	12	409	349	60	-
Total Financial Assets		78,820	2,280	60	76,480
Financial Liabilities					
- Payables	15	152	152	-	-
- Other financial liabilities	16	319	319	-	-
Total Financial Liabilities		471	471	-	-

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

20 Financial Instruments/Financial Risk Management (continued)

b) Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due.

Other than the specific items mentioned below the Board's exposure to liquidity risk is considered insignificant based on past experience and current assessment of risk.

In an earlier year the Board advanced an amount of \$15m by way of long term loan with SAHMRI. This loan is for a period of 15 years and is secured over liquid assets held by SAHMRI Investments Pty Ltd. Payments required under the loan agreement have been met as and when they fall due.

As previously outlined in these financial statements the Board now primarily invests through various products offered by Funds SA. Funds SA is a large institutional investment specialist servicing the South Australian Government and its statutory authorities. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's liquidity risk for these products is now the risk of a request to redeem units not being satisfied by Funds SA in the required timeframe.

The Board is satisfied that the resulting liquidity risk is also insignificant based on Funds SA liquidity risk management policies as follows;

- The allocation of cash in the strategic asset allocation of each investment option is set at a sufficient level to manage expected cash redemptions, and
- A large proportion of each investment option is invested in highly liquid investments as actively traded equities, unit trusts or securities with short term maturities.

The carrying amount of financial liabilities recorded above represent the Board's maximum exposure to financial liabilities.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

20 Financial Instruments/Financial Risk Management (continued)

c) 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.

As previously outlined in these financial statements the Board now primarily invests through various investment products offered by Funds SA. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's market risk is now the risk of a change in value of underlying assets adversely affecting the value of the Board's investment in these units.

The Board is satisfied that the resulting market risk has been significantly reduced based on Funds SA market risk management policies as follows;

- Ensuring a diversity of exposures to different financial markets and sub-markets; and
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

d) Sensitivity Analysis

A general fall in the fair value of long term investments of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction in value of \$3,371,000 (2015: \$3,051,000) and \$6,742,000 (2015: \$6,103,000) respectively.

The Board believes the underlying quality of the assets support the conclusion that the value of financial assets are not overstated.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2016

21 Unrecognised contractual commitments

Operating lease arrangements

Unrecognised amounts due under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2016.

The properties owned by the Board are leased to third parties for commercial use. Lease terms vary between lessees with most requiring the payment of outgoings by the lessee.

Future minimum rental revenues under non-cancellable operating commercial property leases (exclusive of GST)

	2016 \$'000	2015 \$'000
Due within one year	2,127	2,111
Due between one and five years	4,142	6,228
Due after five years	-	-
	<u>6,269</u>	<u>8,339</u>

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. This value is determined every 5 years with the next one due in August 2016.

This base rent is supplemented each year by the payment of 4% of the net rental for the entire property. This at risk component has not been included in the above calculation.

22 Contingent assets and liabilities

At balance date the Board is not aware of any contingent assets or liabilities.

23 Post balance date event

The Minister advised the Board by letter dated 27 October 2015 of his intention to submit a proposal to Cabinet to transfer the Trustee obligations for the SCHAT to a new Trustee at SAHMRI. On receipt of this advice the Board took action to transfer Trust investments to more capital secured options.

The Minister for Health has advised the Board by letter dated 3 August 2016 that Cabinet has approved the transfer of SCHAT to a new Trustee at SAHMRI. The letter advised that the purposes of the Trust will remain the same and will remain consistent with the objectives of the HSCG Act.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2016

	Note No.	2016 \$	2015 \$
Income			
Investment of Funds			
Interest Revenue		947	26,064
Dividends & Trust Distributions		-	313,420
Funds SA Distribution		186,506	114,545
Imputation Credits	2.2	31,190	128,594
Net (Loss)/Gain from the Disposal of Financial Assets	3	(545)	815,899
Unrealised Gain (Loss) on Financial Assets		67,817	(207,630)
Total Income		<u>285,915</u>	<u>1,190,892</u>
Expenses			
Administration Costs	4	21,362	21,170
Research Funding	5	236,364	235,909
Total Expenses		<u>257,726</u>	<u>257,079</u>
Net Result		<u>28,189</u>	<u>933,813</u>
Other Comprehensive Income			
Financial Asset Revaluations taken to Equity		-	235,706
Revaluation Adjustments on Financial Assets disposed of during the period	3	-	(880,492)
Net Gain (Loss) on Financial Assets taken to Equity		-	(644,786)
Total Comprehensive Result		<u>28,189</u>	<u>289,027</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note No.	2016 \$	2015 \$
Current Assets			
Cash at bank		6,935	7,587
GST Receivable		3,409	3,409
Imputation credits receivable		28,201	128,594
Other financial assets at fair value	6	254,831	898,479
Total Current Assets		<u>293,376</u>	<u>1,038,069</u>
Non-Current Assets			
Other financial assets at fair value	6	6,268,949	5,496,023
Total non-Current Assets		<u>6,268,949</u>	<u>5,496,023</u>
Total Assets		<u>6,562,325</u>	<u>6,534,092</u>
Current Liabilities			
Accrued Expenses		2,061	2,017
Total Current Liabilities		<u>2,061</u>	<u>2,017</u>
Total Liabilities		<u>2,061</u>	<u>2,017</u>
Net Assets		<u>6,560,264</u>	<u>6,532,075</u>
Trust Funds			
Trust funds		4,403,529	4,403,529
Retained earnings		2,156,735	2,128,546
Total Trust Funds		<u>6,560,264</u>	<u>6,532,075</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2016

	Note No.	Trust Funds \$	Asset Revaluation Surplus \$	Retained Earnings \$	Total Trust Funds \$
Balance at 30 June 2014		4,403,529	644,786	1,194,733	6,243,048
Gain on Revaluation of investments		-	235,706	-	235,706
Realised investment revaluation transferred	3	-	(880,492)	-	(880,492)
Net income recognised directly in equity for 2014-15		-	(644,786)	-	(644,786)
Net Profit for 2014-15		-	-	933,813	933,813
Total comprehensive result for 2014-15		-	(644,786)	933,813	289,027
Total change for the period		-	(644,786)	933,813	289,027
Balance at 30 June 2015		4,403,529	-	2,128,546	6,532,075
Net Profit for 2015-16		-	-	28,189	28,189
Total comprehensive result for 2015-16		-	-	28,189	28,189
Balance at 30 June 2016		4,403,529	-	2,156,735	6,560,264

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

1 Objectives of the Trust

The Ray & Shirl Norman Cancer Research Trust ('Trust' or 'Fund') was created under the will of Mr Raymond Norman who passed away on 23 March 2006. All income derived by the Trust is to be "used for the purpose of the prevention and cure of cancer and anything incidental or conducive to those purposes".

Under the terms of the will the Royal Adelaide Hospital (RAH) was appointed as trustee of the Fund and were required to administer the Fund for the designated purpose. Following legal advice that the RAH was not able to act as trustee application was made to the Supreme Court and the Health Services Charitable Gifts Board (HSCGB) assumed the role as sole Trustee from 21 September 2011.

2 Statement of Principal Accounting Policies

2.1 Format of the Accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

All amounts are rounded to the nearest dollar.

Dividend and distribution income is recognised on receipt.

2.2 Taxation and Imputation Credits

The Ray & Shirl Norman Cancer Research Trust is exempt from income tax and has been granted status as a Charitable Fund.

As a Charitable Fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

2.2 Taxation and Imputation Credits (continued)

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

- when GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; and
- 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 the receivables or payables in the Statement of Financial Position.

2.3 Basis of valuation - Assets

Cash and cash equivalents

Cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value are carried at nominal value.

Other financial assets

The original settlement of the Trust was in the form of cash and direct investments in shares and units listed on the Australian Stock Exchange. It was considered appropriate for these direct investments to be treated as available for sale financial assets, and were reported at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. They are included in non-current assets unless management intend to dispose of the investment within 12 months of reporting date.

During the previous year the trustee was granted registration as a Prescribed Public Authority which enabled the Trust to invest through Funds SA.

Surplus cash and short term deposit assets of the Trust are now invested through Funds SA Cash B - Taxed Fund and disclosed as current assets at fair value.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

2.3 Basis of valuation - Assets (continued)

In the previous year the entire portfolio of direct investments was transferred to Funds SA and an equivalent value of units in the Funds SA Growth B - Taxed Fund received. In accordance with the above any gain or loss realised on the disposal of the direct investments was transferred from equity to profit or loss during the previous year.

As the investments in Funds SA are managed and their performance evaluated in accordance with a documented investment strategy and the information reported to the trustee on a regular basis it is considered appropriate that they be designated as fair value through profit and loss.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Fair value of financial instruments are classified, according to fair value hierarchy, at level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset.

Fair value of unlisted unit trusts

Investments in unlisted unit trusts are recorded at the fair value as reported by the managers of such funds as at 30 June 2016.

2.4 Basis of valuation - General

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

	2016 \$	2015 \$
3 Gain (loss) from disposal of financial assets		
- Available for sale financial assets		
Shares in listed companies		
Proceeds from disposal	-	5,260,410
Less: Costs of disposal	-	-
	-	5,260,410
Less Net carrying value at time of disposal	-	(5,322,109)
	-	(61,699)
Less amounts already recognised in equity	-	880,492
Net gain - financial assets available for sale	-	818,793

In the previous year the entire portfolio of direct investments was transferred to Funds SA and an equivalent value of units in the Funds SA Growth B - Taxed Fund received. In accordance with the above any gain or loss realised on the disposal of the direct investments was transferred from equity to profit or loss during the previous year.

Financial Assets - through Profit & Loss

Units in unlisted trusts		
Proceeds from disposal	749,500	336,000
Less Cost	(750,045)	(338,894)
Net gain (loss) - financial assets through profit & loss	(545)	(2,894)
Net (loss)/gain on disposal of financial assets	(545)	815,899

4 Administration costs

Bank Fees	-	72
Accounting Services	3,762	3,498
General Administration Expenses (see below)	17,600	17,600
	21,362	21,170

This represents a recovery by the Health Services Charitable Gifts Board to cover various administrative tasks undertaken and costs incurred in its capacity as trustee of the Ray & Shirl Norman Cancer Research Trust.

HEALTH SERVICES CHARITABLE GIFTS BOARD
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

	2016	2015
	\$	\$

5 Research funding

Research funding (net of GST)	236,364	235,909
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The Will establishing the Ray & Shirl Norman Cancer Research Trust required the income of the fund to be used "...for the prevention and cure of cancer.." and during the year funds were provided in support of cancer research projects.

Following a competitive scientific review process, projects were selected for funding during the 2013 to 2016 calendar years. At 30 June 2016 research funding amounts agreed to, but not yet due totalled \$362,500 (2015: \$575,000) (inclusive of any GST).

As these amounts are not yet due they have not been recognised in these financial statements.

The next call for applications for the funding of research projects was issued during August 2016.

6 Other financial assets at fair value

During the previous year the trustee was granted registration as a Prescribed Public Authority which enabled the Trust to invest in unlisted unit trusts managed by Funds SA.

Surplus cash and short term deposit assets of the Trust are now invested through Funds SA Cash B - Taxed Fund and disclosed as current assets at fair value.

Amounts that were previously invested directly in a portfolio of listed investments are now invested through Funds SA Growth B - Taxed Fund and disclosed as non-current assets at fair value.

- Current

Units in unlisted unit trusts	254,831	898,479
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- Non-current

Units in unlisted unit trusts	6,268,949	5,496,023
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HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Income			
Investment of Funds			
Interest Revenue		1,643	212,613
Funds SA Distribution		215,984	338,641
Imputation Credits	2.2	3,844	6,721
Net Gain from the Disposal of Financial Assets	3	(324,429)	131
Unrealised Gain (Loss) on Financial Assets		304,989	(397,438)
Total Income		<u>202,031</u>	<u>160,668</u>
Expenses			
Administration Expenses			
Administration Costs	4	2,979	12,197
Research Funding	5	-	163,705
Total Expenses		<u>2,979</u>	<u>175,902</u>
Net Result	5	<u>199,052</u>	<u>(15,234)</u>
Other Comprehensive Income			
Research Funding Recognised Directly in Equity	5	(4,032,292)	(1,586,243)
Total Comprehensive Result		<u>(3,833,240)</u>	<u>(1,601,477)</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 \$	2015 \$
Current Assets			
Westpac Business Account		30,124	121,142
Imputation Credits Receivable	2.2	-	6,721
Other Financial Assets at Fair Value	6	8,402,866	-
Total Current Assets		<u>8,432,990</u>	<u>127,863</u>
Non-Current Assets			
Other Financial Assets at Fair Value	6	-	12,138,334
Total Non-Current Assets		<u>-</u>	<u>12,138,334</u>
Total Assets		<u>8,432,990</u>	<u>12,266,197</u>
Current Liabilities			
Accrued Expenses		495	462
Total Current Liabilities		<u>495</u>	<u>462</u>
Total Liabilities		<u>495</u>	<u>462</u>
Net Assets		<u>8,432,495</u>	<u>12,265,735</u>
Trust Funds			
Trust Funds		8,248,677	12,280,969
Retained Earnings	5	183,818	(15,234)
Total Trust Funds		<u>8,432,495</u>	<u>12,265,735</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2016

	Note	Trust Funds	Retained Earnings	Total Trust Funds
		\$	\$	\$
Balance at 30 June 2014		12,512,291	-	12,512,291
Additional Trust Funds 2014-15		1,354,921	-	1,354,921
Net result		-	(15,234)	(15,234)
Other comprehensive income for 2014-15	5	(1,586,243)	-	(1,586,243)
Total Change for the period		(231,322)	(15,234)	(246,556)
Balance at 30 June 2015		12,280,969	(15,234)	12,265,735
Net result		-	199,052	199,052
Other comprehensive income for 2015-16	5	(4,032,292)	-	(4,032,292)
Total Change for the period		(4,032,292)	199,052	(3,833,240)
Balance at 30 June 2016		8,248,677	183,818	8,432,495

The above statement should be read in conjunction with the accompanying notes.

**HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016**

1 Objectives of the Trust

The South Australian Health & Medical Research Institute Charitable Health Trust ('SCHT', 'Trust' or 'Fund') was established by Ministerial Direction dated 5 September 2013 pursuant to Section 20 of the Health Services Charitable Gifts Act 2011.

Under the terms of the Deed establishing the Trust the Health Services Charitable Gifts Board (HSCGB) was appointed as trustee and a total amount of \$17,156,156 was provided by the Minister to be administered by the HSCGB. Since its establishment, and in accordance with the terms of the Deed, the Minister has approved the release of \$8,907,479 of the capital of the Trust. These funds have been used by the South Australian Health & Medical Research Institute (SAHMRI) for approved purposes.

The Deed requires that the income of the Trust be applied solely for the benefit of the SAHMRI in support of its health and medical research or health and medical research infrastructure.

2 Summary of Principal Accounting Policies

2.1 Format of the Accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention unless otherwise indicated.

All amounts are rounded to the nearest dollar.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

2.2 Taxation and Imputation Credits

The South Australian Health & Medical Research Institute Charitable Health Trust is exempt from income tax and has been granted status as a Charitable Fund.

As a Charitable Fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution in relation to investments held by the Trust.

2.3 Basis of valuation - Assets

Cash and cash equivalents

Cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value are carried at nominal value.

Other financial assets

During the previous year the trustee was granted registration as a Prescribed Public Authority which enable the Trust to invest through Funds SA. As these investments are managed and their performance evaluated in accordance with a documented investment strategy and the information reported to the trustee on a regular basis it is considered appropriate that they be designated as fair value through profit and loss.

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income. Fair value of financial instruments are classified, according to fair value hierarchy, at Level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset/liability

Fair value of unlisted unit trusts

Investments in unlisted unit trusts are recorded at the fair value as reported by the managers of such funds as at 30 June 2016.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
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2.4 Basis of valuation - General

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.

3 Gain from disposal of investments

Units in Funds SA - Capital Defensive Fund B Taxed		
Proceeds from disposal	12,211,343	265,000
Less: Net carrying value at time of disposal	12,535,772	264,869
Net (loss)/gain on disposal	<u>(324,429)</u>	<u>131</u>

4 Administration Costs

Accounting Services	2,970	2,780
General Administration Expenses (see below)	-	9,304
Bank Fees	9	113
	<u>2,979</u>	<u>12,197</u>

This represents a recovery by the Health Services Charitable Gifts Board to cover various administrative tasks undertaken and costs incurred in its capacity as trustee of the South Australian Health & Medical Research Institute Charitable Health Trust.

5 Research funding

During the year approval was obtained from the Minister to apply a portion of the capital of the Fund for health and medical research, or health and medical research infrastructure at SAHMRI.

In January 2015, following a request by SAHMRI for funding in accordance with the spending policy approved by the Board, an interim distribution of the net income of the Trust for the first half of the financial year was made in the amount of \$163,705. At the end of the financial year the net income of the Trust for the full year was \$148,471. This resulted in an over distribution of income of \$15,234 in the previous year. The amount was carried forward and applied against current year income with the approval of the Minister.

Net profit of the trust - current year	-	163,705
Minister approved applications of capital	4,032,292	1,586,243
Total research funding paid to SAHMRI	<u>4,032,292</u>	<u>1,749,948</u>

No distribution of current year income has been made.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
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6 Investment of funds

The Deed prescribes the investment of funds only through Funds SA, SAFA or as otherwise approved by the Minister.

During the previous year the trustee was granted registration as a Prescribed Public Authority which enabled the Trust to invest in unlisted unit trusts managed by Funds SA.

The Trust had initially invested in the Funds SA Capital Defensive B - Taxed Fund which was disclosed as non-current asset at fair value as at 30 June 2015.

As a result of Ministerial advice that the Trust would be restructured it was considered more appropriate to transfer this investment to the Fund SA Cash B - Taxed Fund and disclose as a current asset at fair value.

Financial assets through profit and loss

- Current

Units in unlisted unit trusts	8,402,866	-
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- Non-Current

Units in unlisted unit trusts	-	12,138,334
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7 Post balance date event

The Minister advised the Board by letter dated 27 October 2015 of his intention to submit a proposal to Cabinet to transfer the Trustee obligations for the SCHT to a new Trustee at SAHMRI. On receipt of this advice the Board took action to transfer Trust investments to more capital secured options.

The Minister for Health has advised the Board by letter dated 3 August 2016 that Cabinet has approved the transfer of SCHT to a new Trustee at SAHMRI. The letter advised that the purposes of the Trust will remain the same and will remain consistent with the objectives of the HSCG Act.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2016

	Note	2016 \$	17/12/2014 to 30/6/2015 \$
Income			
Investment of Funds			
Interest Revenue		44	5,195
Funds SA Distribution		10,686	-
Imputation Credits	2.2	562	-
Net Gain from the Disposal of Financial Assets	3	785	-
Unrealised Gain (Loss) on Financial Assets		(468)	-
Total Income		<u>11,609</u>	<u>5,195</u>
Expenses			
Administration Expenses			
Accountancy Fees		2,772	220
Total Expenses		<u>2,772</u>	<u>220</u>
Net Result		<u>8,837</u>	<u>4,975</u>
Other Comprehensive Income			
Other Comprehensive Income		-	-
Total Comprehensive Result		<u>8,837</u>	<u>4,975</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2016 \$	2015 \$
Current Assets			
Imputation Credits Receivable	2.2	563	-
Other financial assets	4	-	291,597
Total Current Assets		<u>563</u>	<u>291,597</u>
Non-Current Assets			
Other financial assets	4	301,488	-
Total Non-Current Assets		<u>301,488</u>	<u>-</u>
Total Assets		<u>302,051</u>	<u>291,597</u>
Current Liabilities			
Accrued Expenses		1,617	-
Total Liabilities		<u>1,617</u>	<u>-</u>
Net Assets		<u>300,434</u>	<u>291,597</u>
Trust Funds			
Trust funds		286,622	286,622
Retained earnings		13,812	4,975
Total Trust Funds		<u>300,434</u>	<u>291,597</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 30 June 2016

	Note	Trust Funds	Retained Earnings	Total Trust Funds
		\$	\$	\$
Trust Settlement		286,622	-	286,622
Total comprehensive result for 2014-15		-	4,975	4,975
Total Change for the period		-	4,975	4,975
Balance at 30 June 2015		286,622	4,975	291,597
Total comprehensive result for 2015-16		-	8,837	8,837
Total Change for the period		-	8,837	8,837
Balance at 30 June 2016		286,622	13,812	300,434

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

1 Objectives of the Trust

The Dorothy E Brown Charitable Trust ('Trust' or 'Fund') was established by Deed Poll dated 17 December 2014 pursuant to Section 21 of the Health Services Charitable Gifts Act 2011.

In accordance with the will of Mrs Dorothy E Brown dated 16 August 1971 the residue of her estate was bequeathed to the now defunct Hospitals Department of the South Australian Government for the "benefit of sufferers from kidney diseases or complaints". The amount of the residue has been held by SA Health since October 2009 and was the subject of Supreme Court proceedings seeking directions in relation to the residue. The judgement of the Court from those proceedings was that the deceased's will established a charitable trust and that, having consented to its appointment, the Health Services Charitable Gifts Board (HSCGB) should be appointed as trustee of this charitable trust. The Deed Poll dated 17 December 2014 appoints the HSCGB as trustee and provided further guidance of the administration of the charitable trust.

Under the terms of the Deed Poll the HSCGB was appointed as trustee and an initial sum of \$286,621 was provided by SA Health to be administered by the HSCGB. These funds remained under the control of HSCGB in its capacity as trustee and were invested in the pooled assets of HSCGB. Monthly income allocations were credited to the Trust.

In accordance with the judgment the terms of the Trust were varied whereby -

- the trust monies may be applied for the benefit of any patient of a hospital incorporated under the Health Care Act 2008 who is suffering from a kidney disease or complaint; and
- the trust monies shall be expensed on benefits that such patients would not normally receive or enjoy as patients of those hospitals.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

2 Summary of Principal Accounting Policies

2.1 Format of the Accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention.

All amounts are rounded to the nearest dollar.

As the Trust commenced in the previous financial year, comparative amounts are for the period 17 December 2014 to 30 June 2015,

2.2 Taxation and Imputation Credits

The Dorothy E Brown Charitable Trust is exempt from income tax and has been granted status as a Charitable Fund.

As a Charitable Fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution in relation to investments held by the Trust.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

2.3 Basis of valuation - Assets

Other financial assets

During the previous year the trustee was granted registration as a Prescribed Public Authority which enable the Trust to invest through Funds SA. As these investments are managed and their performance evaluated in accordance with a documented investment strategy and the information reported to the trustee on a regular basis it is considered appropriate that they be designated as fair value through profit and loss.

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income. Fair value of financial instruments are classified, according to fair value hierarchy, at level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset/liability

Fair value of unlisted unit trusts

Investments in unlisted unit trusts are recorded at the fair value as reported by the managers of such funds as at 30 June 2016.

2.4 Basis of valuation - General

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.

HEALTH SERVICES CHARITABLE GIFTS BOARD
as trustee DOROTHY E BROWN CHARITABLE TRUST
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
3 Gain from disposal of investments			
Units in Funds SA - Cash B - Taxed Fund			
Proceeds from disposal		291,271	-
Less: Net carrying value at time of disposal		290,486	-
Net gain on disposal		<u>785</u>	<u>-</u>

4 Other Financial assets

The funds received on the establishment of the Trust were initially retained by the HSCGB and amalgamated with other assets and invested in accordance with the investment policies of the HSCGB. Income was allocated to the Trust monthly, on a proportional basis and as the balance was at call it was disclosed as current assets at fair value.

During the previous year the trustee was granted registration as a Prescribed Public Authority which enabled the Trust to invest in unlisted unit trusts managed by Funds SA.

During the year the trustee facilitated the transfer of funds from the HSCGB initially to the Funds SA Cash B - Taxed Fund. It was later considered more appropriate to transfer this investment to the Fund SA Conservative B - Taxed Fund which is disclosed as a non-current asset at fair value.

Financial assets though profit and loss

- Current

Investment in HSCGB Pool	<u>-</u>	<u>291,597</u>
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- Non-Current

Units in unlisted unit trusts	<u>301,488</u>	<u>-</u>
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HEALTH SERVICES CHARITABLE GIFTS BOARD

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Health Services Charitable Gifts Board (referred to in the attached as "HSCGB" or "the Board"):

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Health Services Charitable Gifts Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Board will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board.


.....
G LOVEDAY - Acting Chairman
12/9/2016


.....
C PEIRCE - Executive Officer
12/9/2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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audgensa@audit.sa.gov.au
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To the Acting Chairman Health Services Charitable Gifts Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 29(2) of the *Health Services Charitable Gifts Act 2011*, I have audited the accompanying financial report of the Health Services Charitable Gifts Board for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes to and forming part of the financial statements for the Health Services Charitable Gifts Board
- a Statement of Comprehensive Income for the year ended 30 June 2016 for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Financial Position as at 30 June 2016 for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Changes in Equity for the year ended 30 June 2016 for the Ray and Shirl Norman Cancer Research Trust
- notes to and forming part of the financial statements for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Comprehensive Income for the year ended 30 June 2016 for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Financial Position as at 30 June 2016 for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Changes in Equity for the year ended 30 June 2016 for the South Australian Health and Medical Research Institute Charitable Health Trust
- notes to and forming part of the financial statements for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Comprehensive Income for the year ended 30 June 2016 for the Dorothy E Brown Charitable Trust
- a Statement of Financial Position as at 30 June 2016 for the Dorothy E Brown Charitable Trust
- a Statement of Changes in Equity for the year ended 30 June 2016 for the Dorothy E Brown Charitable Trust
- notes to and forming part of the financial statements for the Dorothy E Brown Charitable Trust
- a Certificate from the Acting Chairman and the Executive Officer.

The Commissioners' responsibility for the financial report

The Commissioners are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioners determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

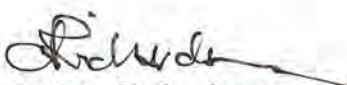
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Health Services Charitable Gifts Board's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

16 September 2016

HomeStart Finance

Financial report
for the year ended
30 June 2016

HomeStart Finance
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note No.	2016 \$'000	2015 \$'000
Interest income	<u>4</u>	97 541	105 624
Interest expense	<u>4</u>	(40 663)	(49 496)
Net interest income	4	56 878	56 128
Other income	<u>5</u>	13 895	13 170
Net gain from disposal of assets	<u>2.8.7</u>	4	-
Loan manager fees		(5 266)	(5 830)
Employee benefits expenses	<u>6</u>	(11 483)	(11 057)
Bad and impaired loans expense	<u>10</u>	(2 403)	(1 460)
Depreciation and amortisation expense	<u>11</u>	(1 456)	(1 822)
Other expenses	<u>12</u>	(6 616)	(6 162)
Profit before income tax equivalents and guarantee fee expenses		43 553	42 967
Government guarantee fee	<u>9</u>	(26 553)	(27 390)
Profit before income tax equivalents		17 000	15 577
Income tax equivalents expense	<u>2.6</u>	(5 100)	(4 673)
Profit after income tax equivalents		11 900	10 904
Other Comprehensive Income			
<i>Items that will be reclassified subsequently to profit before income tax equivalents when specific conditions are met:</i>			
Change in fair value of derivatives		(601)	(382)
Change in fair value of available-for-sale assets	<u>15.4</u>	(103)	(69)
Total other comprehensive income		(704)	(451)
Total comprehensive result		11 196	10 453

The profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance
Statement of Financial Position
As at 30 June 2016

	Note no.	2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents	<u>31.1</u>	1 709	1 952
Financial investments designated at fair value through profit or loss	<u>14</u>	103 030	104 794
Financial investments – available-for-sale	<u>15</u>	10 801	12 005
Loans and advances	<u>16</u>	1 767 629	1 734 408
Other financial assets	<u>17</u>	968	1 147
Intangible assets	<u>18</u>	3 751	4 333
Property, plant and equipment	<u>19</u>	3 382	1 049
Other assets	<u>20</u>	1 401	818
Total assets		1 892 671	1 860 506
Liabilities			
Payables	<u>22</u>	5 303	5 291
Derivative financial instruments	<u>33.2.2</u>	6 911	6 310
Short-term borrowings	<u>23</u>	240 605	694 456
Employee benefits	<u>24</u>	2 367	2 548
Income tax equivalents payable	<u>25</u>	2 558	2 322
Provision for dividend	<u>25</u>	23	-
Long-term borrowings	<u>23</u>	1 472 000	972 000
Other liabilities	<u>26</u>	5 616	4 347
Total liabilities		1 735 383	1 687 274
Net assets		157 288	173 232

HomeStart Finance

Statement of Financial Position (cont.)

As at 30 June 2016

	Note no.	2016 \$'000	2015 \$'000
Equity			
Reserves	<u>27</u>	1 670	1 919
Retained earnings		155 618	171 313
Total equity		157 288	173 232

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 28

Contingent assets and contingent liabilities 29

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance
Statement of Changes in Equity
For the year ended 30 June 2016

	Note	Retained earnings	General reserve for credit losses	Derivatives valuation reserve	Available-for-sale revaluation reserve	Total
	no.	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2014		166 650	7 799	(5 929)	801	169 321
Profit after income tax equivalent for 2014-15		10 904	-	-	-	10 904
Derivative gain recognised	<u>2.10.6</u> <u>33.4.2</u>	-	-	(382)	-	(382)
Available-for-sale gain recognised directly in equity		-	-	-	(69)	(69)
Total comprehensive result for 2014-15		10 904	-	(382)	(69)	10 453
Transfer to/from credit loss reserve	<u>27</u>	301	(301)	-	-	-
Transactions with SA Government as owner						
Dividends paid/payable	<u>25</u>	(6 542)	-	-	-	(6 542)
Balance at 30 June 2015		171 313	7 498	(6 311)	732	173 232
Profit after income tax equivalent for 2015-16		11 900	-	-	-	11 900
Derivative gain recognised directly in equity	<u>2.10.6</u> <u>33.4.2</u>	-	-	(601)	-	(601)
Available-for-sale gain recognised directly in equity		-	-	-	(103)	(103)
Total comprehensive result for 2015-16		11 900	-	(601)	(103)	11 196
Transfer to/from credit loss reserve	<u>27</u>	(455)	455	-	-	-
Transactions with SA Government as owner						
Dividends paid/payable	<u>25</u>	(7 140)	-	-	-	(7 140)
Interim dividend paid	<u>25</u>	(20 000)	-	-	-	(20 000)
Balance at 30 June 2016		155 618	7 953	(6 912)	629	157 288

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

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Statement of Cash Flows

For the year ended 30 June 2016

	Note no.	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash inflows			
Interest received on:			
Cash		42	48
Investments		1 859	1 178
Loans and advances		93 460	100 970
Fees and commissions received		2 493	2 716
Bad debts recovered		114	192
Receipts from SA Government			
EquityStart grant received		556	622
Community Service Obligation subsidy received		6 066	5 889
Other receipts		490	621
Total cash inflows from operating activities		105 080	112 236
Cash outflows			
Employee benefit payments		(11 964)	(10 422)
Payments for supplies and services		(6 156)	(6 743)
Payments to loan managers		(5 415)	(5 839)
Borrowing costs paid		(40 127)	(50 773)
Government guarantee fee paid		(26 531)	(27 476)
Tax equivalent paid		(4 864)	(5 103)
Total cash outflows from operating activities		(95 057)	(106 356)
Net cash provided by operating activities	<u>31.2</u>	10 023	5 880

HomeStart Finance

Statement of Cash Flows (cont.)

For the year ended 30 June 2016

	Note no.	2016 \$'000	2015 \$'000
Cash flows from investing activities			
Cash inflows			
Shared appreciation components of Breakthrough Loan repaid	<u>34.4</u>	10 170	9 835
Proceeds from sale of office and computer equipment		11	-
Proceeds from maturity of available-for-sale investments		1 000	1 000
Proceeds from investments designated at fair value through profit or loss		71 555	40 257
Customer loans repaid		342 502	386 967
Total cash inflows from investing activities		425 238	438 059
Cash outflows			
Purchase of property, plant and office and computer equipment		(3 014)	(354)
Purchase of software		(139)	(448)
Purchase of available-for-sale investments		-	(1 183)
Purchase of investments designated at fair value through profit or loss		(74 049)	(41 000)
Shared appreciation component of Breakthrough Loan settled	<u>34.4</u>	(4 099)	(5 066)
Customer loans settled		(373 277)	(319 440)
Total cash outflows from investing activities		(454 578)	(367 491)
Net cash used in investing activities		(29 340)	70 568
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		994 248	1 229 206
Total cash inflows from financing activities		994 248	1 229 206
Cash outflows			
Dividends paid to SA Government		(27 075)	(7 137)
Repayment of borrowings		(948 099)	(1 299 885)
Total cash outflows from financing activities		(975 174)	(1 307 022)
Net cash provided by financing activities		19 074	(77 816)
Net decrease in cash and cash equivalents		(243)	(1 368)
Cash and cash equivalents at the beginning of the period		1 952	3 320
Cash and cash equivalents at the end of the period	<u>31.1</u>	1 709	1 952

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 1 Objectives of HomeStart Finance

HomeStart was established as a for-profit statutory corporation and operates under the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*. It reports to the Minister for Housing and Urban Development.

HomeStart's reason for being is to make home ownership a reality for more people in more ways.

HomeStart Home Loan

HomeStart provides home loans principally to low to moderate income households and other needs groups. The HomeStart Home Loan is the primary loan product and the outstanding value of the product as at 30 June 2016 was \$1 706.8 million (\$1 680.9 million, 2014-15).

Subsidies

HomeStart provides subsidised Advantage Loans of up to \$45 000 to lower income earners. For loans issued after 3 February 2014, the loan is interest bearing from the drawdown date, prior to that date the maximum loan was \$30 615 and the loan was interest free if repaid within five years. The Advantage Loan interest is calculated by reference to the Consumer Price Index (CPI). As at 30 June 2016 the interest rate applying to Advantage Loans was 1.67% (1.32%, 2014-15). The outstanding value of Advantage Loans at 30 June 2016 was \$60.5 million (\$51.9 million, 2014-15).

For the year ended 30 June 2016 HomeStart received a Community Service Obligation (CSO) subsidy payment of \$3.2 million (\$3.0 million, 2014-15) from the Department of Treasury and Finance for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current Housing SA tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI. Regular repayments on the EquityStart Loan are optional, and payments can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2016 was \$33.9 million (\$36.2 million, 2014-15).

HomeStart received grant funding from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

NOTE 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Statement of compliance

These financial statements have been prepared in compliance with Section 23 of the *Public Finance and Audit Act 1987*.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

HomeStart has applied Australian Accounting Standards that are applicable to for-profit entities, as HomeStart is a for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by HomeStart for the reporting period ending 30 June 2016 (refer note 3).

2.2 Basis of preparation

The preparation of the financial statements require:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying HomeStart'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 Accounting Policy Statements issued pursuant to Section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counter party 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 targeted voluntary separation package information
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by HomeStart to those employees.

HomeStart's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for the following assets and liabilities that are stated at their fair values: derivative financial instruments, financial investments at fair value through profit or loss, financial investments classified as available-for-sale and subsidised loans and advances.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

2.3 Reporting entity

The financial report covers HomeStart as an individual entity. It is a statutory authority of the State of South Australia, established pursuant to the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*. HomeStart does not control any investee, has no joint arrangements and no interest in unconsolidated structured entities.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific Accounting Policy Statement or specific Australian Accounting Standards have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements, unless impracticable.

Where it has been impractical to reclassify comparative amounts, the reason for not reclassifying the amount and the nature of the adjustment has been disclosed.

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

2.5 Rounding

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

2.6 Taxation

In accordance with Treasurer's Instructions 22 *Tax Equivalent Payments*, HomeStart is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

HomeStart is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

- when the GST incurred by HomeStart on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

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

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office 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 Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

2.7 Events after the reporting period

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

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

2.8 Income

Income is recognised in HomeStart's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

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

2.8.1 Interest income – non-subsidised loans

Interest income is recognised as it accrues using the effective interest rate method, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.8.3).

2.8.2 Interest income – subsidised loans

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value will result in an initial loss being recognised in the Statement of Comprehensive Income, being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest rate method at a rate of interest, based on four year (for Advantage Loans settled before 3 February 2014), seven year (for Advantage Loans settled after 3 February 2014) and 10 year (for EquityStart Loans) South Australian Government Financing Authority (SAFA) Bonds.

2.8.3 Interest income – both non-subsidised and subsidised impaired loans

HomeStart ceases accruing interest income on loans when it considers that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security. Interest on these loans is only brought to account when realised or when loans are returned to accruing status.

Loans are assessed as impaired where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

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An impaired loan may be restored to accrual status only if all arrears have been eliminated by payments from the customer, and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.8.4 *Loan origination fees received or receivable*

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the estimated life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed periodically to ensure the amortisation methodology is appropriate.

2.8.5 *Government grants*

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

The Department of Treasury and Finance (DTF) makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loans and credit quality subsidies as well as administering the Nunga Loan program. The credit quality subsidies compensate HomeStart for additional credit quality risk across all HomeStart loan products as a result of lending to customers that would not normally be eligible for loans from commercial lenders.

In addition, on 30 April 2012 the Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax Return on Equity (ROE) of 9% (if required). The first such payment was received by HomeStart in the financial year ended 30 June 2012, no payment was received for any of the following financial years.

HomeStart also receives grant funds from the Department for Communities and Social Inclusion to compensate for costs incurred in relation to EquityStart Loans.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

2.8.6 *Investment income*

For financial investments designated at fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when received.

For financial investments classified as available-for-sale, interest income is recognised as it accrues.

2.8.7 *Net gain/loss from disposal of non-financial assets*

Net gain or loss from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as an income or an expense.

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2.8.8 ***Other income***

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.9 **Expenses**

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

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

2.9.1 ***Interest expense***

Interest payable is expensed in accordance with the accounting policy described at note 2.11.1.

2.9.2 ***Government guarantee fee***

The government guarantee fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

2.9.3 ***Bad and impaired loans expense***

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.10.3.

2.9.4 ***Loan origination fees paid or payable***

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the estimated life of loans in the portfolio.

The average life and interest recognition pattern of loans in the originated loan portfolio is reviewed periodically to ensure the amortisation methodology is appropriate.

2.9.5 ***Employee benefits expenses***

Employee benefits expenses include all costs related to employment including wages, salaries, non-monetary benefits and leave entitlements.

Employee benefits expenses are recognised in accordance with the accounting policy described at note 2.11.4.

The amount of superannuation charged to the Statement of Comprehensive Income represents the contribution made by HomeStart to the superannuation plan in respect of current services of current HomeStart's employees.

2.9.6 ***Depreciation and amortisation expense***

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.10.5.4.

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2.9.7 **Operating lease expense**

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

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight line basis.

2.9.8 **Tax equivalents expense**

The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.6.

2.10 **Assets**

Assets are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Assets 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.

Current and non-current classes are not generally presented separately.

2.10.1 **Cash and cash equivalents**

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

Cash is measured at nominal value.

2.10.2 **Financial instruments**

During the current and comparative financial years HomeStart had the following types of financial instruments:

- cash and cash equivalents (refer to accounting policy note 2.10.1)
- loans and advances (refer to accounting policy note 2.10.3)
- investments – managed funds, bonds, term deposits and the shared appreciation component of Breakthrough Loans (refer to accounting policy note 2.10.4.1 and 2.10.4.2)
- derivative financial instruments (refer to accounting policy note 2.10.6)
- financial liabilities (refer to accounting policy note 2.11).

Under AASB 139, financial instruments are required to be classified into one of five categories which will, in turn, determine the accounting treatment of the financial instrument. The classifications are:

- loans and receivables – initially measured at fair value and then at amortised cost using the effective interest rate method
- held-to-maturity financial assets – measured at amortised cost
- financial instruments designated at fair value through profit or loss – measured at fair value
- available-for-sale financial assets – measured at fair value
- financial liabilities (not at fair value through profit or loss) – measured at amortised cost.

HomeStart has the following classes of financial instruments:

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at fair value through profit or loss

HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in managed funds and term deposits as financial assets at fair value through profit or loss.

The net gain or loss includes any dividend or interest earned on the financial asset.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flow.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as any of the other categories and are stated at fair values.

Gains or losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

As at 30 June 2016 HomeStart classified its investments in bonds issued by state governments and non-government institutions as available-for-sale.

Financial liabilities

HomeStart's short-term and long-term borrowings are financial liabilities.

Impairment

HomeStart assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment of financial assets carried at amortised cost

The recoverable amount of HomeStart's investments in loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of assets carried at amortised cost is reduced to the recoverable amount through the use of a provision account. The amount of the loss is recognised in the Statement of Comprehensive Income. An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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Reference should be made to accounting policy note 2.10.3 for additional information in relation to the assessment of impairment of loans and receivables.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the available-for-sale revaluation reserve is reclassified to profit or loss.

The amount of the cumulative loss that is reclassified is the difference between the acquisition cost (net of any amortisation) and current fair value, less any impairment loss previously recognised in profit or loss.

2.10.3 Loans and advances

Loans measured at amortised cost

Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking into account principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Provision for impairment

HomeStart assesses at each financial year-end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgement to estimate the amount of an impairment loss.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts

All bad debts are written-off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

2.10.4 Investments

2.10.4.1 Financial assets at fair value through profit or loss

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in managed funds and term deposits as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

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Shared appreciation component of the Breakthrough Loan

The Breakthrough Loan facility includes two loan components:

- a standard loan component with interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method and taking into account principal repayments and impairment losses, and
- a shared appreciation component where repayment of the loan balance is generally deferred until the sale of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

2.10.4.2 Available-for-sale financial assets

When purchased, available-for-sale investments are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve except for interest, which is recognised directly in the Statement of Comprehensive Income. When the investment is sold, the cumulative gain or loss relating to the investment is transferred from the available-for-sale revaluation reserve to the Statement of Comprehensive Income.

Where there is objective evidence of impairment of an available-for-sale investment, the cumulative loss relating to that asset is removed from equity and recognised in the Statement of Comprehensive Income. If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the Statement of Comprehensive Income.

2.10.5 Non-financial assets

2.10.5.1 Property, plant and equipment

Property, plant and equipment are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation (refer to note 2.10.5.4) and impairment losses.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recognised at book value i.e. the amount recorded by the transferor immediately prior to transfer.

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

At the expiration of the lease of its office accommodation, HomeStart is required in accordance with the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs.

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All property, plant and equipment with a value equal to or in excess of \$1 000 are capitalised.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

2.10.5.2 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 accumulated amortisation (refer to note 2.10.5.4) and any accumulated impairment loss.

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition (identifiability, control and existence of future economic benefits) and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to \$1 000.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the useful life of the asset, which is generally between 4 and 10 years.

Costs in relation to website development, building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits. Maintenance costs are expensed.

2.10.5.3 Impairment and revaluation

In accordance with Accounting Policy Framework III Asset Accounting Framework:

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

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

All tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated.

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

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Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10.5.4 Depreciation and amortisation of non-financial assets

Non-financial assets having a limited useful life, are systematically depreciated or 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 office and computer equipment.

The residual values, useful lives of all major assets held by HomeStart, depreciation and amortisation methods are reassessed 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 estimates.

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

Depreciation and amortisation of non-financial assets are calculated on a straight line basis over the estimated useful life of the following classes of assets for the current and comparative periods as follows:

Class of asset	Depreciation and amortisation method	Useful life (years)
Leasehold improvements	Straight line	2 – 10
Other office and computer equipment	Straight line	2 – 10
Furniture and fittings	Straight line	3 – 10
Intangible assets	Straight line	4 – 10

2.10.6 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and, subsequent to initial recognition, are measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

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HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 34.1. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

2.10.6.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Hedge effectiveness tests are performed on all derivative financial instruments to determine if they continue to be effective in managing the hedged risk originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

2.11 Liabilities

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

2.11.1 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

2.11.2 Lease incentive

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as liabilities and amortised over the lease term.

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2.11.3 Payables

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date the invoice is first received (in accordance with Treasurer's Instruction 11 Payment of Creditors).

2.11.4 Employee benefits

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

Long-term service benefits

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with a duration that match, as closely as possible, the estimated future cash outflows.

Salaries and wages, annual leave and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is 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.

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

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2.12 Other provisions

Provisions are recognised when HomeStart 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.

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

HomeStart is responsible for the payment of workers compensation claims.

2.13 Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

HomeStart recognises fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Audit Committee at each reporting date.

Non-financial assets

In determining fair value, HomeStart has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset), and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

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HomeStart's current use is the highest and best use of the asset unless other factors suggest an alternative is feasible. As HomeStart did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, are deemed to approximate fair value.

Refer to note 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The fair value of assets or liabilities traded in active markets are based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximise the use of observable market data where it is available. HomeStart uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Refer to note 34 for disclosure regarding fair value and categorisation of financial assets and liabilities.

2.14 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

2.15 Insurance

HomeStart has arranged through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

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2.16 Accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgement in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgement that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

Area of estimate and judgement	Note no.
Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loan)	2.10.4.1, 34.2, 34.3
Investments at fair value through profit or loss – shared appreciation component of the Breakthrough Loan	2.10.4.1, 34.2, 34.3
Investments – available-for-sale	2.10.4.2, 34.2, 34.3
Fair value of subsidised loans and advances	2.10.3
Loan origination fees received or receivable	2.8.4
Loan origination fees paid or payable	2.9.4
Provision for impairment of loans and advances	2.10.3
Unearned income (EquityStart grant)	2.8.5, 26.2
General reserve for credit losses	2.10.3, 27
Derivative financial instruments	2.10.6, 34.2
Revaluation of make good provision	26.3, 19

Home Start Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 3 New and revised accounting standards

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ending 30 June 2016.

HomeStart did not voluntarily change any of its accounting policies during 2015-16.

HomeStart has assessed the impact of the new and amended standards and interpretations, these are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date for HomeStart
AASB 9	Financial Instruments	AASB 9 provides the principles for the classification, measurement, recognition and disclosure associated with financial assets and liabilities. It also includes new rules for hedge accounting. In Dec 2014, the AASB made further amendments to AASB 9's classification and measurement rules and also introduced a new impairment model. AASB 9 has now been finalised. The amending standards make various consequential amendments as a result of the issuance of AASB 9 and amend the mandatory effective date of AASB 9 to 1 Jan 2018.	1 Jan 2018	HomeStart has commenced reviewing the measurement of its financial assets against the new classification and measurement requirements in AASB 9. The classification at the initial date of application of AASB 9 will depend on the facts existing at that date. HomeStart's assessment will not be confirmed until closer to that time. As part of the implementation of AASB 9 HomeStart will perform an assessment of financial assets and determine if they will be measured at amortised cost or fair value.	1 July 2018
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1,3,4,5,7,101,102,108, 112,118,121,127,128, 131,132,136,139,1023, 1038 and Interpretations 10 & 12).	When AASB 9 is applied, AASB2009-11 and AASB 2010-7 must also be applied at the same time. These standards make consequential amendments to other standards as a result of the issuance of AASB 9.		It would appear that the available for sale assets would meet the condition to satisfy the classification at fair value through profit or loss. Changed disclosure requirements will also apply.	

Home Start Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date for HomeStart
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1,3,4,5,7,101,102,108, 112,118,120,121,127, 128,131,132,136,137, 139,1023 & 1038 and Interpretations 2,5,10,12,19 & 127).	The amending standards make various consequential amendments as a result of the issuance of AASB 9 and amend the mandatory effective date of AASB 9 to 1 Jan 2018.		The new impairment model is an expected credit loss model which may result in earlier recognition of credit losses.	
AASB 2013-9	Amendments to Australian Accounting Standards, Conceptual Framework, Materiality and Financial Instruments.	AASB 2013-9 amends the mandatory effective date of AASB 9 to 1 Jan 2017 instead of 1 Jan 2015.			
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9 - application of AASB 9.				
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9.				
AASB 14	Regulatory Deferred Accounts		1-Jan-16	This standard will not have an impact on HomeStart. HomeStart adopted Australian Accounting Standards in 2005	1-Jul-16
AASB 15	Revenue from contracts with customers	AASB 15 will replace AASB 118 and AASB 111. The revenue recognition principle in the new standard is when 'control of a good or service transfers to a customer', rather than "where the risk and rewards of ownership reside".	1-Jan-18	HomeStart is currently considering its contractual arrangements with the focus on the definition of a contract and the definition of a customer. HomeStart will commence analysis of the potential impact but at this stage it is not able to estimate the dollar impact on the financial statements (if any).	1-Jul-18

Home Start Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

AASB 16	Leases	This new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased assets and a lease liability representing its obligations to make lease payments.	1-Jan-19	This standard will apply for the first time to HomeStart's 30 June 2020 financial statements. It will require HomeStart to recognise all leased items in the statement of financial position as assets to represent the value of HomeStart's items leased and as liabilities to represent expected future lease payments.	1-Jul-19
AASB 1057	Application of Accounting Standards	This standard outlines the types of entities and financial statements to which Australian Accounting Standards (including interpretations) apply	1-Jan-16	This standard will not have impact on HomeStart. The standard does not change the current application of Australian Accounting Standards to HomeStart.	1-Jul-16

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 4 Net interest income

	2016	2015
	\$'000	\$'000
Interest received/receivable		
Loans and advances	92 109	100 759
Subsidised loans effective interest income	3 902	3 888
Subsidised loans fair value expense	(1 424)	(1 787)
Loan origination income amortisation	2 912	2 715
Deposits with banks	42	49
Total interest received/receivable	97 541	105 624
Interest paid/payable		
Borrowings from SAFA	(40 663)	(49 496)
Total interest paid/payable	(40 663)	(49 496)
Net interest income	56 878	56 128

NOTE 5 Other income

	2016	2015
	\$'000	\$'000
Fees and charges	3 173	3 327
Bad debts recovered	114	192
Unrealised change in fair value of loans ⁽¹⁾	1 753	565
Realised change in fair value of loans	395	507
Managed funds distribution	66	297
Interest received from investments at fair value through profit or loss	1 033	923
Interest received from available-for-sale investments	507	577
EquityStart grant	677	813
Community Service Obligation (CSO) subsidy	6 066	5 889
Other	111	80
Total other income	13 895	13 170

⁽¹⁾ The shared appreciation component of the Breakthrough Loan is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Unrealised losses, if any, are disclosed in note 12, Other Expenses.

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received \$0.6 million (\$0.6 million, 2014-15) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer to note 26.2 for information in relation to the recognition of EquityStart grant income.

The Department of Treasury and Finance (DTF) makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loans and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 the Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity (ROE) of 9% (if required). No such payment was received in the financial year ended 30 June 2016 (\$nil, 2014-15).

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

NOTE 6 Employee benefits expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	9 509	9 164
Long service leave (LSL)	317	272
Annual leave	28	(9)
Employment on-costs – superannuation	842	866
Employment on-costs – other	511	465
Workers compensation	16	34
Board and committee fees	260	265
Total employee expenses	11 483	11 057

NOTE 7 Employee remuneration and number of employees

The following table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, superannuation contributions, payments in lieu of leave, fringe benefits and any fringe benefits tax paid in respect of those benefits and salary sacrifice benefits. The total remuneration received by these employees for the year was \$3.60 million (\$1.70 million, 2014-15).

Remuneration of employees	2016	2015
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$141 500 to \$145 000 (*)	n/a	2
\$145 001 to \$155 000	5	1
\$155 001 to \$165 000	2	1
\$165 001 to \$175 000	1	-
\$175 001 to \$185 000	1	-
\$185 001 to \$195 000	1	1
\$195 001 to \$205 000	1	-
\$215 001 to \$225 000	1	-
\$225 001 to \$235 000	1	-
\$235 001 to \$245 000	2	-
\$255 001 to \$265 000	-	1
\$265 001 to \$275 000	-	1
\$385 001 to \$395 000	-	1
\$405 001 to \$415 000	1	-
\$455 001 to \$465 000	1	-
Total	17	8

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

A number of employees have been included in these bands through payments for extensive leave entitlements and termination payments following redundancy.

Number of employees

HomeStart employed 99 people at the end of the reporting period (107, 2014-15).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 8 Key management personnel

Key management personnel of HomeStart include members of the Board of directors, the Chief Executive Officer and the five members of the executive team who have responsibility for the strategic direction and management of HomeStart.

The Minister for Housing and Urban Development is also considered a member of the key management personnel of HomeStart due to the power provided under the *Urban Renewal Act 1995* for the Minister to control and direct HomeStart. No remuneration has been included in this note disclosure for the Minister as they are not directly remunerated by HomeStart.

(a) Board members

The following persons held the position of governing board member of HomeStart for the full financial year:

Mr	Jim Kouts (Chair)
Mr	Chris Ward (Deputy Chair)
Ms	Sue Edwards
Ms	Roseanne Healy
Ms	Maria Palumbo
Mr	Darryl Royans

Ms Lindsay Nicolson held the position of the Board member from 1 July 2015 until the date of her resignation from the Board on 1 April 2016.

(b) Other key management personnel

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

Mr	John Oliver	Chief Executive Officer
Ms	Deb Dickson	Head of Retail
Mr	David Hughes	Chief Financial Officer
Ms	Kay Lindley	Chief Risk Officer
Ms	Maree McAuley	People and Performance Leader
Mr	Andrew Mills	Head of Strategic Development

(c) Key management personnel compensation

The compensation for key management personnel for the years ended 30 June 2016 and 2015 is set out below.

The compensation of key management personnel included in "Employee Benefits Expenses" (see note 6) is as follows:

	2016	2015
	\$'000	\$'000
Salaries and other short-term employee benefits	1 256	1 036
Long-term employee benefits (long service leave)	61	51
Long-term employee benefits (amounts paid to superannuation plans)	118	96
Total	1 435	1 183

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

(d) Remuneration of governing board members

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

	2016 No.	2015 No.
\$20 000 - \$29 999	1	-
\$30 000 - \$39 999	3	4
\$40 000 - \$49 999	2	2
\$50 000 - \$59 999	1	1
Total number of governing board members	7	7

The total remuneration received and receivable by these governing board members was \$0.28 million (\$0.29 million, 2014-15) which includes fringe benefits and superannuation contributions.

Apart from the details disclosed in this note, no governing board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving governing board members' interests existing at year-end.

Apart from the details disclosed in this note, In accordance with the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for governing board duties during the financial year.

Ms Maria Palumbo receives remuneration for her role on the HomeStart Board despite her secondment from the private sector to Renewal SA. This arrangement has been approved by the Chief Executive of the Department of Premier and Cabinet as required by Premier and Cabinet Circular No. 016.

NOTE 9 Government guarantee fee

	2016 \$'000	2015 \$'000
Government guarantee fee paid or payable	26 553	27 390
Total government guarantee fee paid or payable	26 553	27 390

HomeStart paid a guarantee fee of 1.6% of outstanding borrowings to the Department of Treasury and Finance in 2015-16 (1.6%, 2014-15).

NOTE 10 Bad and impaired loans expense

	2016 \$'000	2015 \$'000
Bad and impaired loans expense	812	359
Increase in provision for impairment	1 591	1 101
Total bad and impaired loans expense	2 403	1 460

NOTE 11 Depreciation and amortisation expense

	2016 \$'000	2015 \$'000
Other office and computer equipment	195	291
Leasehold improvements	568	930
Intangible assets	693	601
Total depreciation and amortisation expense	1 456	1 822

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

NOTE 12 Other expenses

Other expenses	2016 \$'000	2015 \$'000
External auditor's remuneration	164	175
Insurance	98	99
Unrealised change in fair value of investments	6	54
Office accommodation (minimum lease payments)	995	919
Marketing, product development and advertising	1 212	1 082
Internal audit fees	299	342
Loan administration	218	261
Information technology	1 362	1 062
Consultants' fees	181	58
Human resources and staff development	422	515
Other	1 659	1 595
Total other expenses	6 616	6 162

Total other expenses amount disclosed includes GST amounts non-recoverable from the Australian Taxation Office.

The number and dollar amount of consultancies paid/payable (included in "Other expenses") that fell within the following bands:

	NO.	2016 \$'000	NO.	2015 \$'000
Below \$10 000	5	28	3	15
Above \$10 000	3	153	2	43
Total paid/payable to the consultants engaged	8	181	5	58

NOTE 13 Auditor's remuneration

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	164	175
Total audit fees	164	175

The amounts disclosed above are inclusive of GST.

Other services

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

Auditor's remuneration are included in 'Other expenses' in the Statement of Comprehensive Income.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 14 Financial investments designated at fair value through profit or loss

14.1	Financial investments designated at fair value through profit or loss	2016	2015
		\$'000	\$'000
	SAFA Cash Management Fund	3 609	2 509
	Term Deposits	37 000	28 500
	Unit Trusts	-	7 046
	Breakthrough Loan (shared appreciation component)	62 421	66 739
	Total financial investments designated at fair value through profit or loss	103 030	104 794
14.2	Maturity profile of HomeStart's financial investments designated at fair value through profit or loss	2016	2015
		\$'000	\$'000
	At call	3 609	9 555
	Not longer than three months	35 000	10 500
	Longer than three months and not longer than twelve months	2 000	18 000
	Longer than five years	62 421	66 739
	Total financial investments designated at fair value through profit or loss	103 030	104 794

14.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3 and 33.4.4.

NOTE 15 Financial investments – available-for-sale

15.1	Financial investments – available-for-sale	2016	2015
		\$'000	\$'000
	Bonds	10 801	12 005
	Total financial investments – available-for-sale	10 801	12 005
15.2	Maturity profile of HomeStart's financial investments – available-for-sale	2016	2015
		\$'000	\$'000
	Longer than three months and not longer than twelve months	4 138	1 024
	Longer than twelve months and not longer than five years	6 663	10 981
	Total financial investments – available-for-sale	10 801	12 005

15.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3.

15.4	Reconciliation of available-for-sale investments	2016	2015
		\$'000	\$'000
	Opening balance at 1 July	12 005	11 971
	Acquisitions	-	1 182
	Disposals	(1 000)	(1 000)
	Amortisation	(101)	(79)
	Change in fair value (recognised directly in equity)	(103)	(69)
	Closing balance at 30 June	10 801	12 005

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

NOTE 16 Loans and advances

16.1 Loans and advances	2016 \$'000	2015 \$'000
Primary loans	1 706 834	1 680 852
Subsidised loans	98 461	92 591
Gross loans and advances	1 805 295	1 773 443
Fair value adjustment	(13 168)	(14 299)
Deferred loan fee income	(6 510)	(5 626)
Deferred loan fee expense	2 311	2 171
Specific provision for impairment	(9 076)	(10 176)
Unearned income on impaired loans	(3 011)	(3 292)
Collective provision for impairment	(8 212)	(7 813)
Net loans and advances	1 767 629	1 734 408
 Specific provision for impaired loans		
Opening balance	10 176	9 055
Bad debts written-off	(2 292)	(1 388)
Impairment expense	1 192	2 509
Closing balance	9 076	10 176
 Collective provision for impairment		
Opening balance	7 813	9 221
Impairment expense (reversal)	399	(1 408)
Closing balance	8 212	7 813
Total provision for impairment	17 288	17 989

16.2 Risk exposure

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 33.2.1.

NOTE 17 Other financial assets

	2016 \$'000	2015 \$'000
Deferred financial investment income	110	123
Accrued interest on housing loans and advances	253	257
Accrued financial investment income	241	446
EquityStart grant receivable	159	90
GST recoverable	38	35
Dividend receivable	-	42
Other	167	154
Total other financial assets	968	1 147

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 18 Intangible assets

	2016 \$'000	2015 \$'000
Software at cost	6 625	6 514
Accumulated amortisation	(2 874)	(2 181)
Total software	3 751	4 333
Carrying amount at 1 July	4 333	4 458
Additions	111	476
Amortisation	(693)	(601)
Carrying amount at 30 June	3 751	4 333

All intangible assets were acquired externally directly from software suppliers or through contract arrangements. There were no indications of impairment of intangible assets at 30 June 2016.

NOTE 19 Property, plant and equipment

	2016 \$'000	2015 \$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	3 106	3 637
Accumulated depreciation	(289)	(2 759)
Total leasehold improvements	2 817	878
Other office and computer equipment		
Other office and computer equipment at cost (deemed fair value)	2 435	2 811
Accumulated depreciation	(1 870)	(2 640)
Total other office and computer equipment	565	171
Total property, plant and equipment	3 382	1 049

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during the year:

	Leasehold improvements \$'000	Other office and computer equipment \$'000	Total \$'000
Carrying amount at 30 June 2014	440	396	836
Additions – at cost (deemed fair value)	862	66	928
Revaluation of make good asset	506	-	506
Disposals – at cost (deemed fair value)	-	(454)	(454)
Disposals – accumulated depreciation	-	454	454
Depreciation and amortisation	(930)	(291)	(1 221)
Carrying amount at 30 June 2015	878	171	1 049
Additions – at cost (deemed fair value)	1 844	596	2 440
Revaluation of make good asset	663	-	663
Disposals – at cost (deemed fair value)	(3 038)	(972)	(4 010)
Disposals – accumulated depreciation	3 038	965	4 003
Depreciation and amortisation	(568)	(195)	(763)
Carrying amount at 30 June 2016	2 817	565	3 382

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

All items of property, plant and equipment that had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with Accounting Policy Framework III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

NOTE 20 Other assets

	2016	2015
	\$'000	\$'000
Operating lease incentive	815	-
Prepayments	586	818
Total other assets	1 401	818

NOTE 21 Fair value measurement of non-financial assets

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. HomeStart categorises non-financial assets measured at fair value into the fair value hierarchy based on the level of inputs used in measurement as follow:

Fair value measurements at 30 June 2016

Recurring fair value measurements	2016	Level 3
	\$'000	\$'000
Leasehold improvements	2 817	2 817
Other office and computer equipment	565	565
Total fair value measurements	3 382	3 382

Fair value measurements at 30 June 2015

Recurring fair value measurements	2015	Level 3
	\$'000	\$'000
Leasehold improvements	878	878
Other office and computer equipment	171	171
Total fair value measurements	1 049	1 049

HomeStart's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2016 and 2015, HomeStart had no non-financial asset valuations categorised into level 1 or 2.

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 2 and 3 fair values are provided at note 19. Unobservable inputs were used in determining fair value, and are subjective. HomeStart considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2016. The following table is a reconciliation of fair value measurements using significant unobservable input (level 3).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

Reconciliation of Level 3 recurring fair value measurements as at 30 June 2016

	Property, plant and equipment
Opening balance at the beginning of the period	\$'000
	1 049
Acquisitions	2 440
Revaluation of make good asset	663
Disposal	(7)
Depreciation	(763)
Closing balance at the end of the period	3 382

Reconciliation of Level 3 recurring fair value measurements as at 30 June 2015

	Property, plant and equipment
Opening balance at the beginning of the period	\$'000
	836
Acquisitions	928
Revaluation of make good asset	506
Depreciation	(1 221)
Closing balance at the end of the period	1 049

NOTE 22 Payables

22.1 Payables	2016	2015
	\$'000	\$'000
Creditors	199	719
Accrued administration expenses	272	273
Employment on-costs	383	401
Accrued interest payable on borrowings	1 642	1 084
Accrued interest payable on derivatives	120	140
Accrued guarantee fee payable	2 214	2 192
Accrued loan manager fees	473	482
Total payables	5 303	5 291

22.2 Interest rate and credit risk

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

NOTE 23 Borrowings

23.1 Interest bearing liabilities	2016	2015
	\$'000	\$'000
Short-term borrowings payable		
Short-term borrowings	240 605	694 456
Total short-term borrowings payable	240 605	694 456
Long-term borrowings payable		
Long-term borrowings	1 472 000	972 000
Total long-term borrowings payable	1 472 000	972 000
Total interest bearing liabilities	1 712 605	1 666 456

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

23.2 Security

All HomeStart borrowings are unsecured.

23.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 33.3 and 33.4 respectively.

NOTE 24 Employee benefits

24.1 Employee benefits	2016 \$'000	2015 \$'000
Accrued salaries	139	68
Annual leave	620	748
Long service leave	1 608	1 732
Total employee benefits	2 367	2 548

24.2 Calculation of long service leave

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased to 2.0 %, 2016, (3.0 %, 2015).

The decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the change in the current financial year is an increase in the long service leave liability of \$113 737 and employee benefits expense of \$130 737. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of factors and assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

24.3 Settlement period of long service leave

HomeStart's policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart as part of their termination payment
- take pro-rata long service leave
- cash out a proportion of their long service leave in lieu of taking the leave.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 25 Provisions

25.1 Provision for income tax	2016	2015
	\$'000	\$'000
Income tax equivalent payable	2 558	2 322
Total tax equivalent payable	2 558	2 322

25.2 Provision for dividend	2016	2015
	\$'000	\$'000
Dividend payable	23	-
Total dividend payable	23	-

Pursuant to Section 26 of the *Urban Renewal Act 1995*, HomeStart must recommend to the Minister for Housing and Urban Development, that it pays a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Minister may, in consultation with the Treasurer, by notice to HomeStart approve its recommendation or determine that another dividend, or no dividend, should be paid.

Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and HomeStart's Minister.

For the financial year ended 30 June 2016, the Board of HomeStart recommended the payment of a dividend of 60% of after tax profit (60%, 2014-15). This amounts to a total dividend of \$7.1 million in respect of the year ended 30 June 2016 (\$6.5 million, 2014-15). The Minister and Treasurer approved the recommendation and the estimated amount was paid in June 2016.

HomeStart paid a dividend amount of \$7.1 million to the Department of Treasury and Finance prior to the end of the financial year (\$7.1 million, 2014-15). HomeStart will pay a residual dividend amount of \$0.02 million in respect of the financial year ended 30 June 2016 in June 2017 (\$0.04 million receivable, 2014-15). The amount of dividend payable is disclosed in Note 25 as Provision for Dividend, while 2014-15 dividend receivable is disclosed in Note 17 under Other Financial Assets.

HomeStart also paid an interim dividend of \$20.0 million to the Department of Treasury and Finance prior to the end of 2015-2016 financial year. This was a one off interim dividend approved by the Minister in September 2015, following a recommendation from the HomeStart Board in August 2015.

NOTE 26 Other liabilities

26.1 Other liabilities	2016	2015
	\$'000	\$'000
Unearned income (EquityStart grant)	770	822
Workers compensation provision	46	38
Wyatt Benevolent Institution	2 332	2 323
Operating lease liability	1 568	-
Make good provision	750	714
Provision for restructure	145	445
City of Salisbury	5	5
Total other liabilities	5 616	4 347

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

26.2 Unearned income (EquityStart grant)	2016	2015
	\$'000	\$'000
Opening balance	822	1 008
Amounts received/receivable	625	627
Amount recognised as earned (note 5)	(677)	(813)
Closing balance	770	822

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* requires that government grants related to costs be deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

26.3 Make good provision	2016	2015
	\$'000	\$'000
Opening balance	714	226
Revaluation of provision	663	506
Charges against provision	(627)	(18)
Closing balance	750	714

Revaluation of the make good provision amount relates to the current premises at 169 Pirie Street and 153 Flinders Street premises vacated in July 2015 .

NOTE 27 Equity

General reserve for credit losses

A general reserve for credit losses was created within equity. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Amounts in the general reserve for credit losses will not be reclassified to profit or loss.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. When a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, the gain or loss on the instrument previously recognised in the derivatives valuation reserve is reclassified from equity to profit or loss.

Available-for-sale revaluation reserve

The available-for-sale revaluation reserve was created to recognise the gain or loss on investments that are classified as available-for-sale. A gain or loss on an available-for-sale financial asset is recognised in the available-for-sale revaluation reserve until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised in the available-for-sale revaluation reserve, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss, even though the financial asset has not been derecognised.

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Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 28 Unrecognised contractual commitments

28.1 Capital commitments

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

	2016	2015
	\$'000	\$'000
Not later than one year	550	2 880
Total capital commitments	550	2 880

Capital expenditure commitments are for upgrades of operational systems.

28.2 Expenditure commitments - software licence commitments

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

	2016	2015
	\$'000	\$'000
Not later than one year	452	452
Later than one year but not later than five years	528	980
Total expenditure commitments	980	1 432

HomeStart's software licence commitments in 2016 and 2015 are in relation to the Front End Loan System.

28.3 Operating leases commitments

Commitments under cancellable and non-cancellable operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:

	2016	2015
	\$'000	\$'000
Within one year	891	1 060
Later than one year but not later than five years	3 550	3 459
Later than five years	3 955	4 873
Total operating lease commitments	8 396	9 392
Representing:		
Non-cancellable operating leases	8 396	9 392
Total operating lease commitments	8 396	9 392

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with all leases having the right of renewal. Rent is payable in advance.

The total amount of rental expense for minimum lease payments for the financial year is disclosed in note 12.

28.4 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to \$55.5 million (\$38.0 million, 2014-15). These commitments are expected to be paid in the coming financial year.

NOTE 29 Contingent assets and liabilities

HomeStart is not aware of any material contingent assets or liabilities that exist at the reporting date.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

NOTE 30 Related parties

HomeStart is controlled by the SA Government.

Related parties of HomeStart include all key management personnel and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government. Transactions and balances between HomeStart and the related parties (other SA Government controlled entities) are disclosed in note 32.

All transactions between HomeStart and its related parties are on arms length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties:

- employees who are key management personnel
- board members
- Department for Communities and Social Inclusion
- Department of Planning, Transport and Infrastructure
- Department of Treasury and Finance
- South Australian Government Financing Authority (SAFA).

The nature and amounts of these transactions have been disclosed throughout the financial statements.

NOTE 31 Cash flow reconciliation

31.1 Cash

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

31.2 Reconciliation of profit for the year to net cash provided by operating activities

	2016	2015
	\$'000	\$'000
Profit for the year	11 900	10 904
Gain from sale of office and computer equipment	(4)	-
Add/less non cash items		
Amortisation of discount or premium on purchase of available for sale financial investments	101	79
Depreciation and amortisation expense of non-financial assets	1 456	1 822
Unrealised change in fair value of loans	(1 753)	(565)
Unrealised change in market value of investments	6	54
Reinvestment of managed funds distribution	(66)	(297)
Bad debts written-off	3 104	1 747
Loan interest charged but not received	-	(1 392)
Fees applied directly to loan accounts	(4 462)	(3 557)
Movement in assets and liabilities		
(Decrease) increase in provision for impairment	(701)	(287)
(Decrease) increase in deferred loan fee income	884	233
(Increase) decrease in deferred loan fee expense	(140)	34
(Decrease) increase in fair value adjustment	(1 131)	(535)
(Decrease) increase in payables	989	(2 044)
(Decrease) increase in provision for employee benefits	(181)	190
(Decrease) increase in provision for restructure	(300)	445
(Decrease) increase in other liabilities	(121)	(191)
(Decrease) increase in income tax equivalents payable	236	(430)
(Increase) decrease in financial and other assets	206	(330)
Net cash provided by operating activities	10 023	5 880

HomeStart Finance
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

NOTE 32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty is an entity within 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.

Note		SA Government		Non-SA Government		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Income						
<u>4</u>	Interest income	-	-	97 541	105 624	97 541	105 624
<u>4</u>	Interest expense on SAFA borrowings	(40 663)	(49 496)	-	-	(40 663)	(49 496)
<u>5</u>	Other income						
	Fees and charges	-	-	3 173	3 327	3 173	3 327
	Managed funds distribution	51	71	15	226	66	297
	Unrealised gain in fair value of loans	-	-	1 753	565	1 753	565
	EquityStart grant	677	813	-	-	677	813
	Community Service Obligation (CSO)	6 066	5 889	-	-	6 066	5 889
	Other income	-	-	2 160	2 279	2 160	2 279
	Net gain/(loss) from disposal of assets	-	-	4	-	4	-
	Total income	(33 869)	(42 723)	104 646	112 021	70 777	69 298
	Expenses						
<u>10</u>	Bad and impaired loans expense	-	-	(2 403)	(1 460)	(2 403)	(1 460)
	Loan manager fees	-	-	(5 266)	(5 830)	(5 266)	(5 830)
<u>6</u>	Employee benefits expenses	(511)	(465)	(10 972)	(10 592)	(11 483)	(11 057)
<u>11</u>	Depreciation and amortisation expenses	-	-	(1 456)	(1 822)	(1 456)	(1 822)
<u>12</u>	Other expenses						
	External auditor remuneration	(164)	(175)	-	-	(164)	(175)
	Office accommodation	-	-	(995)	(919)	(995)	(919)
	Marketing, product development and advertising	-	-	(1 212)	(1 082)	(1 212)	(1 082)
	Internal audit fees	-	-	(299)	(342)	(299)	(342)
	Loan administration	-	-	(218)	(261)	(218)	(261)
	Information technology	-	-	(1 362)	(1 062)	(1 362)	(1 062)
	Insurance	-	-	(98)	(99)	(98)	(99)
	Consultant fees	-	-	(181)	(58)	(181)	(58)
	Human resources and staff development	-	-	(422)	(515)	(422)	(515)
	Other	-	-	(1 665)	(1 649)	(1 665)	(1 649)
<u>9</u>	Government guarantee fee	(26 553)	(27 390)	-	-	(26 553)	(27 390)
	Total expenses	(27 228)	(28 030)	(26 549)	(25 691)	(53 777)	(53 721)

HomeStart Finance

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For the year ended 30 June 2016

Note		SA Government		Non-SA Government		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Financial assets						
	Cash and cash equivalents	-	-	1 709	1 952	1 709	1 952
14	Financial investments at fair value through profit or loss	3 609	2 509	99 421	102 285	103 030	104 794
15	Financial investments available for sale	-	-	10 801	12 005	10 801	12 005
16	Loans and advances	-	-	1 767 629	1 734 408	1 767 629	1 734 408
17	Other financial assets	165	97	803	1 050	968	1 147
20	Other assets	-	-	1 401	818	1 401	818
	Total financial assets	3 774	2 606	1 881 764	1 852 518	1 885 538	1 855 124
	Financial liabilities						
22	Payables	(4 216)	(3 643)	(1 087)	(1 648)	(5 303)	(5 291)
33.2.2	Derivative financial instruments	(6 911)	(6 310)	-	-	(6 911)	(6 310)
23	Short term borrowings	(240 605)	(694 456)	-	-	(240 605)	(694 456)
24	Employee benefits	-	-	(2 367)	(2 548)	(2 367)	(2 548)
25	Income tax equivalents payable	(2 558)	(2 322)	-	-	(2 558)	(2 322)
25	Provision for dividend	(23)	-	-	-	(23)	-
26	Other liabilities	(770)	(822)	(4 846)	(3 525)	(5 616)	(4 347)
23	Long term borrowings	(1 472 000)	(972 000)	-	-	(1 472 000)	(972 000)
	Total financial liabilities	(1 727 083)	(1 679 553)	(8 300)	(7 721)	(1 735 383)	(1 687 274)

NOTE 33 Financial risk management

33.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of directors has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies. In addition a Board Credit Sub-Committee has been formed to review and recommend approval of individual loan applications which will result in an aggregate exposure to the borrower that exceeds \$1.1 million.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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Financial risk management is the responsibility of HomeStart's internal Finance & Risk departments which identify, evaluate and, when feasible and appropriate, hedge financial risks. It operates in accordance with policies approved by the Board and its sub-committees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of funds.

HomeStart's Board of directors has delegated to the Audit Committee the responsibility for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

In accordance with the best practice APRA framework, the Board Credit Sub-Committee review individual loan applications where the resulting aggregate exposure of the borrower will exceed \$1.1 million and individual loan applications greater than \$1.1 million and where appropriate will recommend the loan to the Minister or the Cabinet.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

33.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

33.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board, Audit Committee and ALCO.

The authority to make credit decisions in accordance with approved policies is delegated by the Board to executive management.

The Board and its sub-committees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the internal audit of adherence to approved lending and arrears management policies.

HomeStart Finance

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For the year ended 30 June 2016

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart policy is to not undertake lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement, HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

In the event of a loan default, any loan security enforced is held as mortgagee in possession. Any property thus held does not meet the recognition criteria of Australian Accounting Standards and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General's annual property data or a current formal valuation. As at year-end the fair value of collateral for past due and impaired loans was:

	2016	2015
	\$'000	\$'000
Past due but not impaired		
Gross carrying value	80 337	83 318
Fair value of collateral	122 768	124 855
Impaired		
Gross carrying value, before specific provision for impairment	52 043	60 697
Unearned income on impaired loans	(3 011)	(3 292)
Specific provision for impairment	(9 076)	(10 176)
Net impaired loans and advances	39 956	47 229
Fair value of collateral	53 215	62 299

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart is restricted under the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*, to only lend in South Australia and is therefore exposed to the property market in this state.

Approximately 24% (25%, 2014-15) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter Loan to Valuation Ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 33% (34%, 2014-15) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

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Higher LVR loans

HomeStart has several product categories where the initial LVR is permitted to exceed 95% (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan Provision Charge

HomeStart does not require its customers to pay for Lenders Mortgage Insurance. It does, however, require its customers to pay a Loan Provision Charge at the time of advancing a loan.

(c) *Credit risk measurement*

Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written-off.

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (note 2.10.3 and note 16).

The amount of incurred credit losses provided for in the financial statements differs from the amount determined from the expected loss model that is used for internal operational management due to the different methodologies applied.

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) *Credit quality and maximum exposure to credit risk*

HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of \$1 767.63 million (\$1 734.41 million, 2014-15).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading (BRG) system adopted by HomeStart.

The BRG system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

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For the year ended 30 June 2016

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2016 \$'000	2015 \$'000
Not impaired		
Neither renegotiated nor past due		
Low risk	1 380 602	1 413 203
Moderate risk	236 171	175 714
High risk	27 374	9 521
Gross loans and advances neither renegotiated nor past due	1 644 147	1 598 438
Renegotiated (1)		
Low risk	18 384	19 985
Moderate risk	7 853	8 505
High risk	2 531	2 500
Gross loans and advances renegotiated	28 768	30 990
Past due but not impaired (2)		
Low risk	30 506	47 046
Moderate risk	30 718	27 859
High risk	19 113	8 413
Gross loans and advances past due but not impaired	80 337	83 318
Total not impaired		
Low risk	1 429 492	1 480 234
Moderate risk	274 742	212 078
High risk	49 018	20 434
Gross loans and advances not impaired	1 753 252	1 712 746
Impaired (3)		
Low risk	17 450	22 908
Moderate risk	22 766	29 761
High risk	11 827	8 028
<i>Gross impaired loans and advances</i>	<i>52 043</i>	<i>60 697</i>
Unearned income on impaired loans	(3 011)	(3 292)
Specific provision for impairment	(9 076)	(10 176)
Impaired loans and advances after provision and unearned income	39 956	47 229
Total		
Low risk	1 446 942	1 503 142
Moderate risk	297 508	241 839
High risk	60 845	28 462
<i>Gross loans and advances</i>	<i>1 805 295</i>	<i>1 773 443</i>
Fair value adjustment	(13 168)	(14 299)
Deferred loan fee income	(6 510)	(5 626)
Deferred loan fee expense	2 311	2 171
Unearned income on impaired loans	(3 011)	(3 292)
Specific provision for impairment	(9 076)	(10 176)
Collective provision for impairment	(8 212)	(7 813)
Net loans and advances	1 767 629	1 734 408

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

	2016 \$'000	2015 \$'000
<30 days	60 065	64 264
30 – 59 days	11 979	12 240
60 – 89 days	3 469	2 761
90 – 179 days	3 060	1 093
>179 days	1 764	2 960
Total	80 337	83 318

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(1) Loans and advances renegotiated

HomeStart's policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are reviewed at least annually.

Renegotiated loans that may be past due or impaired totalled \$28.8 million as at 30 June 2016 (\$31.0 million, 2014-15).

(2) Past due but not impaired

As per AASB 7 *Financial Instruments: Disclosures* (AASB 7), past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) Impaired loans

Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

33.2.2 Derivative financial liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) Maximum exposure to credit risk

As at 30 June 2016 and 30 June 2015, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

	2016	2015
	\$'000	\$'000
Derivative financial instruments	(6 911)	(6 310)
Swap income receivable	110	81
Swap expense payable	(230)	(221)
Net payable (note 22)	(120)	(140)

Further information in relation to derivatives is disclosed in notes 33.3.3 and 33.4.2.

33.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

33.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by ALCO.

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HomeStart's liquidity management process is carried out and monitored by HomeStart's internal Finance department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole of government policy requires that HomeStart holds a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

33.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$2 105 million as at 30 June 2016 (\$2 105 million, 2014-15).

33.3.3 Exposure to liquidity risk

(a) Non-derivative cash flows

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt, subject to refinancing in the next 12 month period, is to be limited to 40% (42%, 2014-15) of total debt outstanding.

% of debt subject to refinancing in the next 12 month period	2016	2015
	%	%
At 30 June	14.05	41.67
Average for the period	36.41	39.28
Maximum for the period	41.53	71.80
Minimum for the period	12.07	34.62

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2016	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities							
Payables	5 303	-	-	-	-	5 303	5 303
Borrowings	244 402	9 416	40 065	1 563 205	-	1 857 088	1 712 605
Other financial liabilities	-	1 279	1 302	-	-	2 581	2 581
Total liabilities (contractual maturity dates)	249 705	10 695	41 367	1 563 205	-	1 864 972	1 720 489

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2015	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying value \$'000
Liabilities							
Payables	3 099	2 192	-	-	-	5 291	5 291
Borrowings	67 226	6 209	655 527	1 024 513	-	1 753 475	1 666 456
Other financial liabilities	-	1 161	1 161	-	-	2 322	2 322
Total liabilities (contractual maturity dates)	70 325	9 562	656 688	1 024 513	-	1 761 088	1 674 069

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

(b) *Derivative cash flows*

Derivatives used by HomeStart to hedge risk include interest rate swaps and bank bill futures.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying value \$'000
2016	(189)	(374)	(1 617)	(4 526)	(627)	(7 333)	(6 911)
2015	(216)	(438)	(1 766)	(4 300)	(70)	(6 790)	(6 310)

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.4.2

(c) *Off balance sheet*

The periods of payment of unrecognised contractual commitments are disclosed in note 28.

33.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

33.4.1 Market risk management

HomeStart's market risk management processes are overseen by the Board and ALCO sub-committee.

A comprehensive Treasury Master Document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings and by the Finance department on a daily basis.

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

33.4.2 Interest rate risk – derivative financial instruments

(a) Risk control and mitigation policies

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps and bank bill futures.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2016, HomeStart had floating/fixed swaps with a notional value of \$118 million (\$135 million, 2014-15) with fixed rates varying between 1.80% and 7.21% (1.96% and 7.21%, 2014-15).

Periods to maturity of the interest rate swap contracts are disclosed at note 33.3.3(b).

(b) Market risk measurement and maximum exposure to interest rate risk

The major risk measurement process used by HomeStart to measure and control interest rate risk is the Value at Risk (VaR) methodology. Risk measurement and management is further enhanced through the calculation of Present Value per Basis Point (PVBP) as well as the use of stress testing.

Value at Risk (VaR)

HomeStart applies a VaR methodology to estimate the market risk of all positions held and the maximum losses expected, based upon a number of assumptions for changes in market conditions. ALCO sets limits on the value at risk that may be accepted by HomeStart, which are monitored on a daily basis by HomeStart's internal Finance department and monthly by the Board and ALCO.

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99% confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure.

Although VaR represents a good estimate of potential losses under normal market conditions, the model is necessarily based on reasonable management assumptions. Actual outcomes may therefore differ from expected results calculated using the VaR model.

ALCO has approved a maximum loss limit of \$1.1 million. The VaR as at 30 June 2016 was \$73 803 (\$116 780, 2014-15).

(c) Hedge accounting

Variable rate debt used to fund fixed rate loans to customers is hedged by interest rate swaps, which have been designated as cash flow hedges, enabling the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart designates the instrument into a hedge relationship and satisfies the 'hedge accounting' requirements contained in AASB 139 *Financial Instruments: Recognition and Measurement*.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2016, a \$0.6 million loss (\$0.4 million loss, 2014-15) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.3.3.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

33.4.3 Investments price risk

(a) Risk control and mitigation policies

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified in the Statement of Financial Position as fair value through profit or loss.

To manage its price risk arising from investments, HomeStart diversifies its portfolio in accordance with limits set by ALCO. The investments are held on a passive investment basis. Adherence to approved limits is monitored on a weekly basis by HomeStart's internal Finance department and monthly by the Board and ALCO.

(b) Maximum exposure to investments price risk

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 14).

(c) Sensitivity analysis

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10% increase or decrease in market value at year-end, with all other variables being held constant.

2016	Carrying amount \$'000	-10%	10%
SAFA Cash Management Fund	3 609	(361)	361
Total increase/(decrease) in profit before tax and equity	3 609	(361)	361

2015	Carrying amount \$'000	-10%	10%
Unit trusts	7 046	(705)	705
SAFA Cash Management Fund	2 509	(251)	251
Total increase/(decrease) in profit before tax and equity	9 555	(956)	956

33.4.4 Breakthrough Loan property price risk

(a) Risk control and mitigation policies

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.10.4.1).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) Maximum exposure to property price risk

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 14).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

(c) Sensitivity analysis

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5% increase or decrease in property market value at year-end, with all other variables being held constant.

	2016 Carrying amount \$'000	-5%	5%	2015 Carrying amount \$'000	-5%	5%
Breakthrough Loan	62 421	(3 812)	4 031	66 739	(3 956)	4 266
Total increase/(decrease) in profit before tax and equity		(3 812)	4 031		(3 956)	4 266

33.4.5 Currency risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

NOTE 34 Fair value and categorisation of financial instruments

34.1 Fair value and categorisation of financial instruments

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect of each class of financial asset and financial liability are disclosed in note 2.

		2016		2015	
Category		Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents	N/A	1 709	1 709	1 952	1 952
Investments	Fair value through profit or loss	103 030	103 030	104 794	104 794
Investments	Available-for-sale	10 801	10 801	12 005	12 005
Loans and advances ⁽¹⁾	Amortised cost	1 767 629	1 768 272	1 734 408	1 734 837
Other financial assets	Financial assets (at cost)	968	968	1 147	1 147
Total financial assets		1 884 137	1 884 780	1 854 306	1 854 735
Financial liabilities					
Borrowings ⁽²⁾	Financial liabilities (amortised cost)	1 712 605	1 715 386	1 666 456	1 666 982
Other liabilities	Financial liabilities (amortised cost)	5 616	5 616	4 347	4 347
Derivative financial instruments	Hedge accounting (fair value through equity)	6 911	6 911	6 310	6 310
Payables	Financial liabilities (at cost)	5 303	5 303	5 291	5 291
Total financial liabilities		1 730 435	1 733 216	1 682 404	1 682 930
Net financial assets		153 702	151 564	171 902	171 805

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

^[1]The loans and advances fair value adjustment relates to the fixed interest rate loans portfolio which has been classified as level 3 in the fair value hierarchy. As at balance date, the amortised cost is determined by discounting the expected future cash flows by the current interest rate that would apply to those cash flows based on their remaining term. For loans where the fixed interest rate exceeds the current interest rate, the amortised cost will exceed the face value of the loans.

^[2]The fair value of borrowings is determined using SAFA market valuation, which is classified as level 2 in the fair value hierarchy. The market value by SAFA was calculated using mid rates as at close of business 30 June 2016.

34.2 Fair value estimation

(a) Derivatives

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year-end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) Loans and advances to customers

The fair value of loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is at market rate. Subsidised loans are discounted using a risk free rate of interest, based on four or seven year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA bonds.

(c) Investments

The fair value of investments in the Unit Trusts and SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) Shared appreciation component of the Breakthrough Loan

Note 2.10.4.1 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

	2016	2015
	%	%
Valuation determined using an automated method (Hometrack Australia)	95.39	95.12
Valuation provided by the Valuer-General	4.47	3.47
Other valuations used	0.14	1.41

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

(e) *Bonds*

The fair value of bonds is calculated using observable market prices.

(f) *Borrowings*

HomeStart reports fair value of its borrowings based on the valuation undertaken by SAFA who is the sole provider of funds to HomeStart.

34.3 Hierarchical classification of financial assets measured at fair value

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

- Level 1 – quoted prices (un-adjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no significant transfers between Level 1, Level 2 and Level 3 during the financial year.

2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
SAFA Cash Management Fund	-	3 609	-	3 609
Term deposits	-	37 000	-	37 000
Bonds	-	10 801	-	10 801
Breakthrough Loan (shared appreciation component)	-	-	62 421	62 421
Total financial assets measured at fair value	-	51 410	62 421	113 831

Financial liabilities measured at fair value				
Derivative financial instruments	-	(6 911)	-	(6 911)
Total financial liabilities measured at fair value	-	(6 911)	-	(6 911)

2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
SAFA Cash Management Fund	-	2 509	-	2 509
Term deposits	-	28 500	-	28 500
Unit trusts	-	7 046	-	7 046
Bonds	-	12 005	-	12 005
Breakthrough Loan (shared appreciation component)	-	-	66 739	66 739
Total financial assets measured at fair value	-	50 060	66 739	116 799

Financial liabilities measured at fair value				
Derivative financial instruments	-	(6 310)	-	(6 310)
Total financial liabilities measured at fair value	-	(6 310)	-	(6 310)

34.4 Reconciliation of Level 3 fair value measurements

	2016 \$'000	2015 \$'000
Fair value at 1 July	66 739	70 943
Breakthrough Loan settlements	4 099	5 066
Breakthrough Loan discharges	(10 170)	(9 835)
Unrealised change in fair value of loans (note 5)	1 753	565
Fair value at 30 June	62 421	66 739

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2016

Note 33.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

NOTE 35 Events after balance date

No matters or circumstances have arisen since the end of the financial year which significantly affect, or may significantly affect the operations of HomeStart, the result of those operations, or the state of affairs of HomeStart in subsequent years.

NOTE 36 Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to low and middle income groups.

NOTE 37 Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a significant proportion of its loan management services to BankSA, Homeloans Plus, Bernie Lewis and Australian Associated Advisers Pty Ltd, trading as KeyInvest Lending Services.

HomeStart Finance
Certification of the Financial Statements
For the year ended 30 June 2016

We certify that the attached general purpose financial statements for HomeStart Finance:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of HomeStart Finance; and
- present a true and fair view of the financial position of HomeStart Finance as at 30 June 2016 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by HomeStart Finance for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe HomeStart Finance will be able to pay its debts as and when they become due and payable.

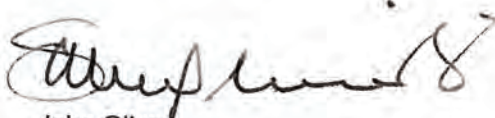
Signed in accordance with a resolution of the board members.



Jim Kouts
Chair
20 September 2016



Chris Ward
Deputy Chair
20 September 2016



John Oliver
Chief Executive Officer
20 September 2016



David Hughes
Chief Financial Officer
20 September 2016



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**To the Chair
HomeStart Finance**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1995*, I have audited the accompanying financial report of HomeStart Finance for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, Deputy Chair, Chief Executive Officer and Chief Financial Officer

The Board's responsibility for the financial report

The members of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

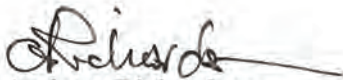
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on HomeStart Finance's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of HomeStart Finance as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

21 September 2016

Independent Commissioner Against Corruption

Financial report
for the year ended
30 June 2016

Independent Commissioner Against Corruption
Statement of Comprehensive Income
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Expenses			
Employee benefits expense	4	5 965	4 940
Supplies and services	5	2 867	2 726
Depreciation and amortisation	6	832	572
Auditor's remuneration	7	40	41
Total expenses		9 704	8 279
Income			
Recoveries and other income	8	11	3
Total income		11	3
Net cost of providing services		9 693	8 276
Revenues from SA Government			
Revenues from SA Government	9	7 588	10 547
Total net revenues from SA Government		7 588	10 547
Net result		(2 105)	2 271
Total comprehensive result		(2 105)	2 271

The net result and total comprehensive result are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	10	3 251	5 008
Receivables	11	114	485
Total current assets		3 365	5 493
Non-current assets			
Property, plant and equipment	12	5 447	5 149
Total non-current assets		5 447	5 149
Total assets		8 812	10 642
Current liabilities			
Payables	14	402	342
Employee benefits	15	678	538
Other liabilities	16	116	116
Total current liabilities		1 196	996
Non-current liabilities			
Payables	14	37	20
Employee benefits	15	396	222
Other liabilities	16	698	814
Total non-current liabilities		1 131	1 056
Total liabilities		2 327	2 052
Net assets		6 485	8 590
Equity			
Retained earnings		6 485	8 590
Total equity		6 485	8 590

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 17

Contingent assets and contingent liabilities 18

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Changes in Equity
for the year ended 30 June 2016

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2014	6 319	6 319
Net result for 2014-15	2 271	2 271
Total comprehensive result for 2014-15	2 271	2 271
Balance at 30 June 2015	8 590	8 590
Net result for 2015-16	(2 105)	(2 105)
Total comprehensive results for 2015-16	(2 105)	(2 105)
Balance at 30 June 2016	6 485	6 485

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

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Cash Flows
for the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee Benefits Payments		(5 621)	(4 878)
Supplies and Services		(3 095)	(3 037)
Cash used in operations		(8 716)	(7 915)
Cash inflows			
Recoveries		11	3
Cash generated from operations		11	3
Cash flows from SA government			
Receipts from SA government		7 588	10 547
Cash generated from SA government		7 588	10 547
Net cash provided by (used in) operating activities	19	(1 117)	2 635
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(1 074)	(1 943)
Cash used in investing activities		(1 074)	(1 943)
Cash inflows			
Lease incentive received		434	-
Cash generated from investing activities		434	-
Net cash used in investing activities		(640)	(1 943)
Net increase/(decrease) in cash and cash equivalents		(1 757)	692
Cash and cash equivalents at the beginning of the period		5 008	4 316
Cash and cash equivalents at 30 June	10	3 251	5 008

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 1: Objectives of the Independent Commissioner Against Corruption (ICAC)

The Independent Commissioner Against Corruption Act 2012 (the ICAC Act) established the Independent Commissioner Against Corruption ('the Commissioner') and the Office for Public Integrity (OPI).

The primary objective of the Commissioner is to:

- (a) investigate serious or systemic corruption in public administration; and
- (b) refer serious or systemic misconduct or maladministration in public administration to the relevant body, giving directions or guidance to the body or exercising the powers of the body as the Commissioner considers appropriate.

The Commissioner has the following functions:

- (a) to identify corruption in public administration and to –
 - i) investigate and refer it for prosecution; or
 - ii) refer it to a law enforcement agency for investigation and prosecution;
- (b) to assist inquiry agencies and public authorities to identify and deal with misconduct and maladministration in public administration;
- (c) to give directions or guidance to inquiry agencies and public authorities, and to exercise the powers of inquiry agencies in dealing with misconduct and maladministration in public administration, as the Commissioner considers appropriate;
- (d) to evaluate the practices, policies and procedures of inquiry agencies and public authorities with a view to advancing comprehensive and effective systems for preventing or minimising corruption, misconduct and maladministration in public administration;
- (e) to conduct or facilitate the conduct of educational programs designed to prevent or minimise corruption, misconduct and maladministration in public administration;
- (f) to perform other functions conferred on the Commissioner by the ICAC Act or any other Act.

The OPI is responsible to the Commissioner for the performance of the following functions:

- (a) to receive and assess complaints about public administration from members of the public;
- (b) to receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies, public authorities and public officers;
- (c) to make recommendations as to whether and by whom complaints and reports should be investigated;
- (d) to perform other functions assigned to the Office by the Commissioner.

Note 2: Summary of Significant Accounting Policies

(a) Statement of Compliance

The Commissioner has prepared the financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

As the Commissioner is a not-for-profit entity, Australian Accounting Standards that are applicable to not-for-profit entities have been applied.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

2 (a) Statement of Compliance (continued)

Except for AASB 2015-7 which the Commissioner has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for these statements. Refer to Note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Commissioner'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 that 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; and
- compliance with accounting policy statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures:
 - 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 (as reported in the Statement of Comprehensive Income); and
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Reporting Entity

The Commissioner must, before 30 September in each year, prepare a report on the operations of the Commissioner and the OPI as required by section 45 of the ICAC Act. The report encompasses the operations of the Commissioner and the OPI.

(d) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 2: Summary of Significant Accounting Policies (continued)

(e) Rounding

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

(f) Taxation

The Commissioner is not subject to income tax. The Commissioner is liable for payroll tax, fringe benefits tax and goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Commissioner. GST in relation to the Commissioner is reported in the AGD Controlled Financial Statements.

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 Australian Taxation Office, 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; and
- Receivables and payables, which are stated with the amount of GST included.

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

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

(g) Events after the reporting period

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

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

(h) Income

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

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

The following are specific recognition criteria:

Revenues from SA Government

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

Recoveries

Recoveries consist of recoveries from SA government agencies and employee reimbursements for 30 June 2016.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 2: Summary of Significant Accounting Policies (continued)

(i) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Depreciation and Amortisation

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

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

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

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

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

<u>Class of assets</u>	<u>Useful life (Years)</u>
Leasehold improvements	Life of lease
Plant and Equipment	1-16
Information Technology	3-10

(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 twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 2: Summary of Significant Accounting Policies (continued)

(k) Assets

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits with the Treasurer.

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

Cash is measured at nominal value.

Receivables

Receivables include GST receivable, prepayments and other accruals.

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 Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor Public Authority immediately prior to restructure.

All non-current tangible assets with a value of \$10,000 or greater are capitalised. Items with an acquisition cost less than \$10,000 are expensed in the year of acquisition.

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.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Fair Value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
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2 (k) Assets (continued)

Non-financial assets

In determining fair value, the Commissioner has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commissioner's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commissioner did not identify any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to Note 12 and 13 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The Commissioner does not recognise any financial assets or financial liabilities at fair value.

(l) Liabilities

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

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 Commissioner.

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

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

Employee benefit on-costs include superannuation contributions and payroll tax in respect of outstanding liabilities for salaries and wages, long service leave, recreation leave, skills and experience retention leave and pre-retirement leave.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Commissioner has entered into operating leases. Operating lease payments are expensed on a basis which 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 Commissioner in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

2 (l) Liabilities (continued)

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

Employee Benefits

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

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Where the annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months, the liability has been measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across AGD (including ICAC).

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current portion of long service leave reflects AGD's past experience of long service leave.

Pre-retirement leave

The Commissioner is not entitled to long service leave, but is entitled to six months pre-retirement leave or payment in lieu in the same manner as a judge of the Supreme Court of South Australia, which is included in long service leave liability.

(m) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 3: New and revised accounting standards and policies

The Commissioner did not voluntarily change any of the Commissioner's accounting policies during 2015-16.

Except for AASB 2015-7 which the Commissioner has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commissioner for the period ending 30 June 2016. The Commissioner has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commissioner.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 4: Employee benefits expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	4 851	3 898
Employment on-costs - superannuation	477	407
Long service leave	155	43
Employment on-costs - other	281	230
Annual leave	199	360
Skills and experience retention leave	2	2
Total employee benefits expenses	5 965	4 940

References to employee(s) in these financial statements include the Commissioner, who is a statutory appointment.

There were no employees who received Targeted Voluntary Separation Packages (TVSPs) during the reporting period.

Remuneration of employees

Remuneration of employees

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

	2016	2015
	Number	Number
\$145 001 to \$155 000*	-	1
\$155 001 to \$165 000	2	1
\$165 001 to \$175 000	-	2
\$185 001 to \$195 000	1	-
\$315 001 to \$325 000	1	-
\$325 001 to \$335 000	-	1
\$475 001 to \$485 000	1	-
\$495 001 to \$505 000	-	1
Total number of employees	5	6

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2014-15.

The table includes all employees (including the Commissioner) who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total actual remuneration received by these employees for the reporting period was \$1.323 million (\$1.482 million).

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 5: Supplies and services

	2016	2015
	\$'000	\$'000
Accommodation	931	886
Information and communications technology	619	426
Outsourced services	202	272
Employment related payments	88	81
Repairs, maintenance and minor purchases	41	27
Office expenses	52	38
Contract staff	340	239
Promotions and publications	60	97
Motor vehicle expenses	56	61
Telephone related expenses	40	37
Legal fees	27	175
Employee training	63	36
Website development	8	5
Shared Services SA charges	34	36
Tax and taxable payments	49	56
Internal audit fee	26	34
Consultancies	8	14
Other	223	206
Total supplies and services	2 867	2 726

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

	2016	2015	2016	2015
	Number	Number	\$'000	\$'000
Below \$10 000	2	-	8	-
Above \$10 000	-	1	-	14
Total paid/payable to consultants	2	1	8	14

Note 6: Depreciation and amortisation

	2016	2015
	\$'000	\$'000
Depreciation		
Plant and equipment	45	44
Information technology assets	360	224
Total depreciation	405	268
Amortisation		
Leasehold improvements	427	304
Total amortisation	427	304
Total depreciation and amortisation	832	572

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 7: Auditor's Remuneration

	2016	2015
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	40	41
Total audit fees	40	41

Other services

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

Note 8: Recoveries and other income

	2016	2015
	\$'000	\$'000
Sundry recoveries	11	3
Total recoveries and other income	11	3

Recoveries consist of recoveries from SA Government agencies and employee reimbursements.

Note 9: Revenues from SA Government

	2016	2015
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the Appropriation Act	7 588	10 547
Total revenues from SA Government	7 588	10 547

Total revenues from Government consists of operational and capital funding. For details on the expenditure associated with the operational funding received refer to Notes 4 to 8.

Note 10: Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	3 251	5 008
Total cash and cash equivalents	3 251	5 008

Deposits with the Treasurer

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 11: Receivables

	2016	2015
	\$'000	\$'000
Lease incentive receivable	–	434
GST receivable	26	22
Prepayments	88	29
Total receivables	114	485

Categorisation of financial instruments and risk exposure information – Refer to Note 21 (a).

Note 12: Property, plant and equipment

	2016	2015
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	3 986	3 953
Accumulated amortisation at the end of the period	(944)	(517)
Total leasehold improvements	3 042	3 436
Plant and equipment		
Plant and equipment at cost (deemed fair value)	435	435
Accumulated depreciation at the end of the period	(153)	(108)
Total plant and equipment	282	327
Information Technology assets		
Information Technology assets at cost (deemed fair value)	2 181	1 524
Accumulated depreciation at the end of the period	(586)	(227)
Total information technology assets	1 595	1 297
Capital work in progress		
Capital work in progress at cost	528	89
Total capital work in progress	528	89
Total property, plant and equipment	5 447	5 149

Valuation note

Carrying amount of plant and equipment

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 12: Property, plant and equipment (continued)

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2016.

Movement reconciliation of property, plant and equipment:

2016	Leasehold Improvements	Plant & equipment	Information Technology assets	Capital Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2015	3 436	327	1 297	89	5 149
Additions	33	-	577	525	1 135
Depreciation and amortisation	(427)	(45)	(360)	-	(832)
Transfer between asset classes	-	-	-	-	-
Transfers to/(from) capital WIP	-	-	81	(81)	-
Other	-	-	-	(5)	(5)
Disposals	-	-	-	-	-
Carrying amount 30 June 2016	3 042	282	1 595	528	5 447

2015	Leasehold Improvements	Plant & equipment	Information Technology assets	Capital Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2014	2 335	339	84	1 121	3 879
Additions	1 405	32	329	76	1 842
Depreciation and amortisation	(304)	(44)	(224)	-	(572)
Transfer between asset classes	-	-	1 108	(1 108)	-
Carrying amount 30 June 2015	3 436	327	1 297	89	5 149

Note 13: Fair Value Measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commissioner categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2016.

	Level 3	2016
	\$'000	\$'000
Recurring fair value measurements		
Leasehold improvements (note 12)	3 042	3 042
Information Technology assets (note 12)	1 595	1 595
Plant and Equipment (note 12)	282	282
Total recurring fair value measurements	4 919	4 919

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 13: Fair Value Measurement (continued)

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

	Level 3	2015
	\$'000	\$'000
Recurring fair value measurements		
Leasehold improvements (note 12)	3 436	3 436
Information Technology assets (note 12)	1 297	1 297
Plant and Equipment (note 12)	327	327
Total recurring fair value measurements	5 060	5 060

Valuation techniques and inputs

All non-financial assets have been determined to be level 3. Valuation techniques used to derive level 3 fair values are at note 2(k). The fair values were determined using the depreciated replacement cost approach. Key assumptions were assessing the remaining useful life and the purpose of the assets.

Reconciliation of fair value measurements - Level 3

There have been no transfers into or out of fair value hierarchy levels during the reporting period.

Note 14: Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors	285	240
Accruals	37	36
Employee on-costs	80	66
Total current payables	402	342
Non-current		
Employment on-costs	37	20
Total non-current payables	37	20
Total payables	439	362

As a result of an actuarial assessment performed by The Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation on-cost has also changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment on-costs and employee benefit expense is immaterial.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. Employment on-costs are settled when the respective employee benefit 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.

Categorisation of financial instruments and risk exposure information - Refer to Note 21 (a).

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 15: Employee benefits

	2016	2015
	\$'000	\$'000
Current		
Recreation leave	296	213
Accrued salaries and wages	108	34
Long service leave	265	284
Skills and experience retention leave	9	7
Total current employee benefits	678	538
Non-current		
Long service leave	396	222
Total non-current employee benefits	396	222
Total employee benefits	1 074	760

The amounts for long service leave include pre-retirement leave (see note 2(l)) and also include amounts accrued for investigators seconded under a Memorandum of Administrative Arrangement between SA Police and the Commissioner. The Commissioner is required to reimburse SA Police an amount equivalent to long service leave accrued while on secondment. The amount is due to SA Police when seconded investigators cease employment with the Commissioner. The amount accrued is therefore equivalent to the long service leave provision amount.

AASB 119 contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2015 (3%) to 2016 (2%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability. The net financial effect of the changes in actuarial assumptions in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance assumed a salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability.

Note 16: Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Lease Incentive	116	116
Total other current liabilities	116	116
Non-current		
Lease incentive	698	814
Total non-current other liabilities	698	814
Total other liabilities	814	930

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 17: Unrecognised Contractual Commitments

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2016	2015
	\$'000	\$'000
Within one year	768	740
Later than one year but not longer than five years	3 370	3 249
Later than five years	1 881	2 770
Total operating lease commitments	6 019	6 759

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance.

Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

	2016	2015
	\$'000	\$'000
Other Commitments		
Motor Vehicles ⁽¹⁾	94	59
Other ⁽²⁾	275	9
Total	369	68
Within one year	310	53
Later than one year but not longer than five years	59	15
Total other commitments	369	68

(1) The provision of motor vehicles to executive officers or sections (i.e. pool vehicles) are leased from SAFA through their agent LeasePlan Australia. There are no purchase options available to the Commissioner.

(2) Other commitments relate to purchase orders placed for goods and services before 30 June 2016 and contractual commitments.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 18: Contingent assets and contingent liabilities

In the ordinary course of operations, the Commissioner may become involved in legal disputes. These legal disputes may give rise to court costs being awarded in favour or against the Commissioner. As at 30 June 2016, it is not possible to reliably estimate the total court costs that may be receivable or payable in respect of these disputes.

Note 19: Cash flow reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	3 251	5 008
Balance as per the Statement of Cash Flows	3 251	5 008
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	(1 117)	2 635
Less revenues from SA Government	(7 588)	(10 547)
Add/less non-cash items		
Depreciation and amortisation	(832)	(572)
Property, plant and equipment assets in payables	61	(100)
Lease incentive amortisation	116	116
Movements in assets and liabilities		
Increase/(decrease) in receivables	58	1
(Increase)/decrease in payables	(77)	246
(Increase)/decrease in employee benefits	(314)	(55)
Net cost of providing services	(9 693)	(8 276)

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 20: Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty / transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. All transactions have been included.

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	281	230	5 684	4 710	5 965	4 940
Supplies and services	5						
Accommodation		836	864	95	22	931	886
Information and communications technology		67	186	552	240	619	426
Outsourced services		119	18	83	254	202	272
Employment related payments		-	-	88	81	88	81
Repairs, maintenance and minor purchases		-	-	41	27	41	27
Office expenses		-	-	52	38	52	38
Contract staff		-	-	340	239	340	239
Promotions and publications		-	-	60	97	60	97
Motor vehicle expenses		50	60	6	1	56	61
Telephone related expenses		35	28	5	9	40	37
Legal fees		14	61	13	114	27	175
Employee training		2	-	61	36	63	36
Website development		-	-	8	5	8	5
Shared Services SA charges		34	36	-	-	34	36
Tax and taxable payments		49	56	-	-	49	56
Internal audit fees		-	-	26	34	26	34
Consultancies		-	-	8	14	8	14
Other		71	88	152	118	223	206
Depreciation and amortisation expense	6	-	-	832	572	832	572
Auditor's remuneration	7	40	41	-	-	40	41
Total expenses		1 598	1 668	8 106	6 611	9 704	8 279
Income							
Recoveries and other income	8	7	-	4	3	11	3
Revenues from / payments to SA Government	9	7 588	10 547	-	-	7 588	10 547
Total income		7 595	10 547	4	3	7 599	10 550

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 20: Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets							
Cash and cash equivalents	10	3 251	5 008	-	-	3 251	5 008
Receivables	11						
Lease incentive receivables		-	434	-	-	-	434
GST receivable		-	-	26	22	26	22
Prepayments		-	-	88	29	88	29
Total financial assets		3 251	5 442	114	51	3 365	5 493
Financial liabilities							
Payables - Current	14						
Creditors		22	102	263	138	285	240
Accruals		37	36	-	-	37	36
Employee on costs		29	27	51	39	80	66
Payables - Non-Current	14						
Employee on costs		20	11	17	9	37	20
Total financial liabilities		108	176	331	186	439	362

Note 21: Financial Instruments/Financial Risk Management

Risk management is managed by the Commissioner's corporate services section and the Commissioner's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commissioner is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

(a) Categorisation of financial instruments

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

Category of financial asset and financial liabilities	Statement of Financial Position line item	Note	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Carrying amount 2015 \$'000	Fair value 2015 \$'000
Financial assets						
Cash and cash equivalents	Cash and cash equivalents	10	3 251	3 251	5 008	5 008
Receivables	Receivables ^{(1) (2)}	11	-	-	434	434
Financial liabilities						
Financial liabilities at cost	Payables ⁽¹⁾	14	285	285	240	240

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2016

Note 21: Financial Instruments/Financial Risk Management (continued)

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department etc.). 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 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).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 11 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair Value

The Commissioner does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short term nature. Refer to Notes 2, 11 and 14.

Credit Risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commissioner does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

(b) Maturity analysis of financial assets and liabilities

All financial assets and financial liabilities are due to mature within 12 months.

Liquidity Risk

Liquidity risk arises from the possibility that the Commissioner is unable to meet financial obligations as they fall due. The Commissioner is funded principally from appropriations by the SA Government. The Commissioner works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The continued existence of the Commissioner in the present form, and with the present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Commissioner's administration and programs. The Commissioner aims to settle undisputed accounts within 30 days from the date the invoice is first received.

The Commissioner's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Market Risk

The Commissioner currently holds no interest bearing financial instruments and is not exposed to interest rate risk.

Sensitivity Analysis

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

Note 22: Events After the Reporting Period

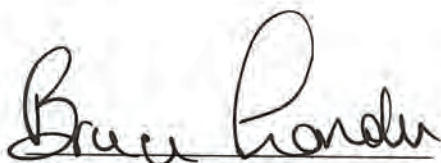
There are no known events after balance date that affect these financial statements.

Independent Commissioner Against Corruption Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Independent Commissioner Against Corruption:

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Independent Commissioner Against Corruption; and
- present a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2016 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Independent Commissioner Against Corruption for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



The Hon. Bruce Lander QC
Independent Commissioner Against Corruption

Date: 13/9/2016



Vicki Tomlinson
Manager, Corporate Services
Independent Commissioner Against Corruption

Date: 13/9/2016



Patricia Christie
Chief Executive Officer
Independent Commissioner Against Corruption

Date: 13/9/2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

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To the Independent Commissioner Against Corruption Independent Commissioner Against Corruption

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Independent Commissioner Against Corruption for the year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Independent Commissioner Against Corruption, the Chief Executive Officer and the Manager, Corporate Services.

The Independent Commissioner Against Corruption's responsibility for the financial report

The Independent Commissioner Against Corruption is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Independent Commissioner Against Corruption determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.

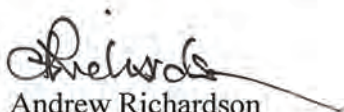
An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Independent Commissioner Against Corruption, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Independent Commissioner Against Corruption's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2016, 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.


Andrew Richardson
Auditor-General
19 September 2016

Legal Services Commission

Financial report
for the year ended
30 June 2016

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	4	18 990	18 356
Private Practitioner services	2, 14	17 687	18 055
Private Practitioner services - Expensive Case matters	5	104	404
Supplies and services	6	6 183	6 299
Depreciation and amortisation expense	7	795	981
Other expenses	8	<u>78</u>	<u>79</u>
Total expenses		<u>43 837</u>	<u>44 174</u>
Income			
<i>Legal Practitioners Act</i> revenues	10	2 957	2 854
Statutory charges		692	814
Interest revenues		425	564
Costs recovered and contributions	11	358	464
Other income	12	<u>1 499</u>	<u>1 066</u>
Total income		<u>5 931</u>	<u>5 762</u>
Net cost of providing services		<u>37 906</u>	<u>38 412</u>
Revenues from Governments			
Revenue from Commonwealth Government	13	15 773	16 233
Revenue from State Government	14	<u>21 483</u>	<u>18 154</u>
Total revenues from Governments		<u>37 256</u>	<u>34 387</u>
Net result		<u>(650)</u>	<u>(4 025)</u>
Total comprehensive result		<u>(650)</u>	<u>(4 025)</u>

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	15	12 348	12 780
Receivables	16	<u>2 008</u>	<u>1 562</u>
Total current assets		<u>14 356</u>	<u>14 342</u>
Non-current assets			
Property, plant and equipment	17.1	4 555	5 219
Intangible assets	17.2	153	204
Statutory charge debtors	18	<u>6 382</u>	<u>6 372</u>
Total non-current assets		<u>11 090</u>	<u>11 795</u>
Total assets		<u>25 446</u>	<u>26 137</u>
Current liabilities			
Lease incentive		233	233
Legal payables		876	685
Payables	19	337	375
Employee benefits	20	<u>1 587</u>	<u>1 511</u>
Total current liabilities		<u>3 033</u>	<u>2 804</u>
Non-current liabilities			
Lease incentive		2 567	2 800
Payables	19	233	225
Employee benefits	20	<u>3 481</u>	<u>3 526</u>
Total non-current liabilities		<u>6 281</u>	<u>6 551</u>
Total liabilities		<u>9 314</u>	<u>9 355</u>
Net assets		<u>16 132</u>	<u>16 782</u>
Equity			
Revaluation surplus		49	49
Retained earnings		<u>16 083</u>	<u>16 733</u>
Total equity		<u>16 132</u>	<u>16 782</u>
Unrecognised contractual commitments	22		
Contingent assets and liabilities	24		

Total equity is attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Revaluation surplus	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2014	49	20 758	20 807
Net result 2014-15	-	(4 025)	(4 025)
Total comprehensive result for 2014-15	49	(4 025)	(4 025)
Balance at 30 June 2015	49	16 733	16 782
Net result for 2015-16	-	(650)	(650)
Total comprehensive result for 2015-16	-	(650)	(650)
Balance at 30 June 2016	49	16 083	16 132

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Inflows (Outflows) \$'000	2015 Inflows (Outflows) \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(18 881)	(18 131)
Supplies and services		(7 074)	(6 788)
Private Practitioner services		(19 473)	(20 430)
Private Practitioner services - Expensive Case matters		<u>(104)</u>	<u>(404)</u>
Cash used in operations		<u>(45 532)</u>	<u>(45 753)</u>
Cash inflows			
<i>Legal Practitioners Act</i> receipts		2 768	2 743
Costs recovered and contributions		358	531
Statutory charge receipts		815	532
Interest received		429	578
GST recovered from the ATO		2 264	2 275
Other receipts		<u>1 318</u>	<u>1 074</u>
Cash generated by operations		<u>7 952</u>	<u>7 733</u>
Cash flows from Governments			
Commonwealth Government receipts		15 773	16 233
State Government receipts		<u>21 455</u>	<u>18 081</u>
Total cash flows from Governments		<u>37 228</u>	<u>34 314</u>
Net cash used in operating activities	21	<u>(352)</u>	<u>(3 706)</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment and intangible assets		(80)	(75)
Net cash used in investing activities		<u>(80)</u>	<u>(75)</u>
Net decrease in cash and cash equivalents		(432)	(3 781)
Cash and cash equivalents at the beginning of the period		<u>12 780</u>	<u>16 561</u>
Cash and cash equivalents at the end of the period	15, 21	<u>12 348</u>	<u>12 780</u>

The above statement should be read in conjunction with the accompanying notes.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission of South Australia

The Legal Services Commission of South Australia (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principles of the Commission are set out in sections 10 and 11 of the Act.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have, not been adopted by the Commission for the reporting period ended 30 June 2016. Refer Note 3.

2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies;
 - b) expenses incurred as a result of engaging consultants;
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly and indirectly by the entity to those employees; and
 - d) Commission member and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

2.3 Reporting Entity

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6 (3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

2.4 Comparative Figures

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

2.5 Rounding

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

2.6 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for pay roll tax, fringe benefits tax, goods and services tax (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 purchases of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable;
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing 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 Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

2.7 Events after the Reporting Period

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

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

2.8 Income

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

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

The following are specific recognition criteria:

Government Funding

Funding from the State and Commonwealth Governments are recognised as revenues when the Commission obtains control over the funding. Control over government funding is normally obtained upon receipt.

Government Funding Expensive Cases

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other Income

Other income consists of Public Service Association (PSA) and Return to Work SA funding for the provision of legal advisory services, Drug Court funding and Strata Communities funding from the Attorney-General's Department, reimbursements from the Commonwealth for the provision of the Indigenous Cadetship Support Programs, the provision of Community Legal Education programs and the sale of over the counter legal kits.

2.9 Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current staff.

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

(a) The Commission paid an amount to Comsuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$49 000 (2015 - \$64 000).

(b) The Commission contributed to various superannuation schemes towards the accruing State government liability for superannuation in respect of all employees. Payments amounted to \$1 496 000 (2015 - \$1 591 000).

Depreciation and Amortisation

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

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

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

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

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

Class of Asset	Useful Life (Years)
Plant & Equipment	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	5-15
Intangibles	3-8

The library is considered a heritage asset and therefore not depreciated or amortised.

2.10 Current and Non-Current Classification

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

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

2.11 Assets

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

Cash and Cash Equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

Receivables

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

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

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

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 after allowing for accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of \$1 000 are capitalised.

Revaluation of non-current assets

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

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense except to the extent that it offsets a previous revaluation increase for the same asset class in which case the decrease is debited directly to the revaluation surplus 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 in the revalued amounts of the assets.

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

Library Valuation

The *John Gray Memorial Library* asset is a legal reference collection containing general and specialised items that are available for general use by both Commission lawyers and private practitioners undertaking legal aid matters. The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collection.

Impairment

All non-current tangible and intangible assets are reviewed for indications of impairment each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the respective revaluation surplus.

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 Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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 Commission has been unable to attribute this expenditure to the intangible asset rather than the Commission as a whole.

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation process and fair value changes are reviewed by the Finance Manager and the Audit, Compliance and Risk Committee at each reporting date.

Non-financial assets

In determining fair value, the Commission has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commission's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commission did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' are deemed to approximate fair value.

Financial assets/liabilities

The commission does not recognise any financial assets or financial liabilities at fair value.

2.12 Liabilities

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

Payables

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

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 Commission.

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

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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.

Legal Payables represent amounts invoiced from private practitioners for approved cases that are unpaid at balance date. They are normally settled within 30 days.

Employee benefits on-costs include superannuation contributions, payroll tax and Return to Work SA levies with respect of outstanding liabilities for salaries and wages, annual leave, long service leave and skills and experience retention leave.

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

Leases

The Commission has entered into operating leases for office accommodation. These leases are reviewed annually for adjustments in the CPI. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

Lease incentives

All incentives for the agreement of a new or renewed operating lease 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 Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Employee benefits

These benefits accrue for employees as a result of service or 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, wages, annual leave, SERL and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention 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, annual leave and skills and experience retention leave liability 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 measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current/non-current classification of the Commission's long services leave liabilities has been calculated based on historical usage patterns.

Workers Compensation

The Commission pays a workers compensation levy to Return to Work SA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by Return to Work SA.

2.13 Unrecognised contractual commitments and contingent assets and liabilities

Unrecognised contractual commitments include legal expense, operating and remuneration arising from contractual or statutory sources and are disclosed at their nominal value. Refer Note 22.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer Note 24.

2.14 Private Practitioner Services

Comprises solicitors' fees, counsel fees and disbursements to private practitioners for approved cases undertaken during the financial year. As at 30 June 2016, the total Private Practitioner Services was \$17 687 000 (2015 - \$18 055 000)

2.15 Trust Funds

Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2016 the total funds held were \$19 000 (2015 - \$22 000). These funds are not controlled by the Commission and are not recognised in the financial statements.

3. New and revised accounting standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the period ending 30 June 2016.

The Commission did not voluntarily change any of its accounting policies during 2015-16.

4. Employee benefits expenses

	2016 \$'000	2015 \$'000
Salaries and wages	14 033	14 300
TVSPs (refer below)	1 127	-
LSL	527	521
Annual leave	1 094	1 129
Employment on-costs - superannuation	1 544	1 661
Employment on-costs - payroll tax	369	362
SERL	84	89
Commission members' remuneration	77	87
Workers compensation	135	207
Total employee benefits expenses	18 990	18 356
TVSPs	2016 \$'000	2015 \$'000
Amount paid during the reporting period to separated employees:		
TVSPs	1 127	-
Annual leave, LSL and SERL paid to those employees	359	-
Net cost to the Legal Services Commission	1 486	-

The number of employees who received a TVSP during the reporting was 20.

Remuneration of employees

	Number of Employees	
	2016 No	2015 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$145 001 to \$155 000	2	4
\$155 001 to \$165 000 *	4	3
\$165 001 to \$175 000 *	3	-
\$175 001 to \$185 000	2	2
\$185 001 to \$195 000	-	1
\$195 001 to \$205 000	1	-
\$225 001 to \$235 000	1	-
\$235 001 to \$245 000	-	1
\$275 001 to \$285 000	2	2
Total	15	13

* Includes payment of LSL, annual, termination benefits for employees who have the Commission.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was \$2 789 000 (2015 - \$2 424 000).

5. Private Practitioner services - Expensive Case matters

	2015 \$'000	2015 \$'000
State Expensive Cases reimbursed	60	404
Commonwealth Expensive Cases reimbursed	44	-
Total Expensive Cases reimbursed	104	404

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. Section 18(6) defines the "funding cap" to mean an amount fixed as the funding cap for criminal cases by the Commission for a particular financial year. The funding cap is \$50 000 (2015 - \$60,000) in the case of one party being aided and \$100 000 (2015 - \$120,000) in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government (refer Note 14). For Commonwealth matters, the funding cap is \$40 000 and the Commission is reimbursed the full amount (refer Note 13).

6. Supplies and services

	2016 \$'000	2015 \$'000
Accommodation	2 863	2 798
Computing and communications	1 772	1 761
Periodicals and subscriptions	249	254
Travel	212	241
Office supplies and consumables	194	256
Interpreter fees	163	226
Legal fees	157	-
Practising certificates and membership	100	103
Storage fees	70	75
Courses and training	37	46
Media and advertising	23	64
Consultancy fees	13	59
Other	<u>330</u>	<u>416</u>
Total supplies and services	<u>6 183</u>	<u>6 299</u>

Total supplies and services provided by entities within SA Government consists of \$2 792 000 (2015 - \$2 715 000).

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

	Number	2016 \$'000	Number	2015 \$'000
Below \$10,000	-	-	6	27
Above \$10 000	<u>1</u>	<u>13</u>	<u>2</u>	<u>32</u>
Total paid/payable to the consultants engaged	<u>1</u>	<u>13</u>	<u>8</u>	<u>59</u>

7. Depreciation and amortisation expense

	2016 \$'000	2015 \$'000
Depreciation		
Plant and equipment	<u>508</u>	<u>523</u>
Total depreciation	<u>508</u>	<u>523</u>
Amortisation		
Leasehold improvements	236	253
Intangible assets	<u>51</u>	<u>205</u>
Total amortisation	<u>287</u>	<u>458</u>
Total depreciation and amortisation expense	<u>795</u>	<u>981</u>

The Commission has reassessed its amortisation of intangible assets during 2015-16 resulting in an increase in useful life from four years to eight years. This has resulted in a decrease in amortisation of \$153 000 in 2015-16.

8. Other expenses

	2016 \$'000	2015 \$'000
Statutory charge bad debts and allowance for doubtful debts	-	30
Bad debts and allowance for doubtful debts	78	44
Write off of WIP	-	5
Total other expenses	<u>78</u>	<u>79</u>

9. Auditor's remuneration

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements		
	<u>71</u>	<u>87</u>
Total Auditor's remuneration	<u>71</u>	<u>87</u>

Other services

No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'supplies and services - other'. Refer Note 6.

10. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

	2016 \$'000	2015 \$'000
Statutory Interest account	1 029	1 054
Interest on Legal Practitioners Trust account	<u>1 928</u>	<u>1 800</u>
Total Legal Practitioners Act revenue	<u>2 957</u>	<u>2 854</u>

11. Costs recovered and contributions

	2016 \$'000	2015 \$'000
Costs recovered	132	118
Contributions*	<u>226</u>	<u>346</u>
Total costs recovered and contributions	<u>358</u>	<u>464</u>

* In addition, contributions of \$823 000 (2015 - \$708 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

12. Other income

	2016 \$'000	2015 \$'000
Women's Domestic Violence	450	-
Legal Assistance Services	284	287
Strata and Community Title Advisory Services	164	159
Drug Court Funding	145	145
Family Based Services	142	100
Other income	<u>314</u>	<u>375</u>
Total other income	<u>1 499</u>	<u>1 066</u>

Total other income provided by entities within SA Government consists of \$324 000 (2015 - \$304 000).

13. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2015 to 30 June 2019. Amounts from the Commonwealth are received via the Attorney-General's Department. Pursuant to that Agreement, the Commonwealth Government contributed funding of \$15 699 000 (2015 - \$16 194 000) to South Australia for the year ended 30 June 2016.

The Commission is also party to a separate agreement with the Commonwealth of Australia to provide services under the Immigration Advice and Application Assistance Scheme (IAAAS). The agreement contributed funding of \$30 000 (2015 - \$39 000).

The Commonwealth Government provided \$44 000 (2015 - \$nil) for approved expensive cases.

14. State Government

In 2015-16 the State Government contributed funding of \$21 423 000 (2015 - \$17 750 000).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved Case Management Agreement with the State Government for these matters.

The State Government provided \$60 000 (2015 - \$404 000) for approved expensive cases that exceeded the Commission cap.

15. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Short-term deposits with SAFA	12 064	12 750
Cash at bank and on hand	284	30
Total cash and cash equivalents	12 348	12 780

Short-term deposits

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in the Cash Management Facility (CMF). The CMF is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to Commission's investment balances. The CMF interest rate is the Reserve Bank of Australia's (RBA) cash rate plus a margin set by the SAFA General Manager.

Cash at bank and on hand

Cash on hand is non-interest bearing being petty cash. Deposits with BankSA (cash at bank) earn a floating interest rate based on daily bank deposit rates with interest paid semi-annually. The carrying amount of cash and cash equivalents represents fair value.

16.1 Receivables

	2016 \$'000	2015 \$'000
<i>Legal Practitioners Act</i> debtors	843	654
GST input tax recoverable	273	291
Client debtors and other debtors	579	421
Allowance for doubtful debts	(40)	(30)
Prepayments	353	226
Total Receivables	2 008	1 562

16.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2016 \$'000	2015 \$'000
Carrying amount at the beginning of the period	30	30
Increase in allowance	58	44
Amounts written off	(48)	(44)
Carrying amount at the end of the period	40	30

17.1 Property, plant and equipment

	2016 \$'000	2015 \$'000
Leasehold improvements at cost (deemed fair value)	4 120	4 114
Accumulated amortisation	(1 452)	(1 216)
Total leasehold improvements	<u>2 668</u>	<u>2 898</u>
Plant and equipment at cost (deemed fair value)	4 703	4 629
Accumulated depreciation	(3 077)	(2 569)
Total plant and equipment	<u>1 626</u>	<u>2 060</u>
Library at fair value *	261	261
Total library	<u>261</u>	<u>261</u>
Total property, plant and equipment	<u>4 555</u>	<u>5 219</u>

* The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

Impairment

There were no other indications of impairment of property, plant and equipment at 30 June 2016.

17.2 Intangible assets

	2016 \$'000	2015 \$'000
Computer software	1 557	1 557
Accumulated amortisation	(1 404)	(1 353)
Total intangible assets	<u>153</u>	<u>204</u>

Impairment

There were no other indications of impairment of property, plant and equipment at 30 June 2016.

17.3 Reconciliation of non-current assets

	Leasehold Improvements	Plant and Equipment	Library	Work in Progress	Property Plant & Equipment Total	Computer Software	Intangible Assets Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 898	2 060	261	-	5 219	204	204
Additions	6	74	-	-	80	-	-
Depreciation/amortisation expense	(236)	(508)	-	-	(744)	(51)	(51)
Write off of WIP	-	-	-	-	-	-	-
Carrying amount at 30 June	2 668	1 626	261	-	4 555	153	153
	Leasehold Improvements	Plant and Equipment	Library	Work in Progress	Property Plant & Equipment Total	Computer Software	Intangible Assets Total
2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 151	2 508	261	5	5 925	409	409
Additions	-	75	-	-	75	-	-
Depreciation/amortisation expense	(253)	(523)	-	-	(776)	(205)	(205)
Write off of WIP	-	-	-	(5)	(5)	-	-
Carrying amount at 30 June	2 898	2 060	261	-	5 219	204	204

17.4 Fair value measurement

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commission categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The Commission valuations were all recognised into Level 3 for 30 June 2016 and 30 June 2015.

Valuation techniques and inputs

Valuation techniques and inputs used to derive level 3 fair values are disclosed in Note 2.11. There were no changes in valuation techniques during 2015-16.

Reconciliation of fair value measurements - level 3

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Reconciliation of level 3 recurring fair value measurements at 30 June 2016.

	Leasehold Improvements	Plant and Equipment	Library	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July	2 898	2 060	261	5 219
Acquisitions	6	74	-	80
Total (losses) for the period recognised in net result				
Depreciation/amortisation	(236)	(508)	-	(744)
Closing balance at 30 June	2 668	1 626	261	4 555

Reconciliation of level 3 recurring fair value measurements at 30 June 2015.

	Leasehold Improvements	Plant and Equipment	Library	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July	3 151	2 508	261	5 920
Acquisitions	-	75	-	75
Total (losses) for the period recognised in net result				
Depreciation/amortisation	(253)	(523)	-	(776)
Closing balance at 30 June	2 898	2 060	261	5 219

18.1 Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2016 \$'000	2015 \$'000
Statutory charge debtors	6 683	6 674
Allowance for doubtful debts	(301)	(302)
Total Statutory charge debtors	6 382	6 372

18.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2016 \$'000	2015 \$'000
Carrying amount at the beginning of the period	302	274
Increase in the allowance	150	180
Amounts written off	(151)	(152)
Carrying amount at the end of the period	301	302

19. Payables

	2016 \$'000	2015 \$'000
Current		
Creditors	75	110
Accrued expenses	71	87
Employment on-costs	<u>191</u>	<u>178</u>
Total current payables	<u>337</u>	<u>375</u>
Non-current		
Employment on-costs	<u>233</u>	<u>225</u>
Total non-current payables	<u>233</u>	<u>225</u>
Total payables	<u>570</u>	<u>600</u>

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from 2015 rate of 37% to 40% and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate of 10.3% to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is a decrease in the employment on-cost of \$13 000 and employee benefits expense of \$13 000.

20. Employee benefits

	2016 \$'000	2015 \$'000
Current		
Accrued salaries and wages	235	118
Annual leave	922	941
Long service leave	311	313
Skills and experience retention leave	<u>119</u>	<u>139</u>
Total current employee benefits	<u>1 587</u>	<u>1 511</u>
Non-current		
Long service leave	<u>3 481</u>	<u>3 526</u>
Total non-current employee benefits	<u>3 481</u>	<u>3 526</u>
Total employee benefits	<u>5 068</u>	<u>5 037</u>

AASB 119 contains the calculation methodology for long service leave liability. An actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2015 (3%) to 2016 (2%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, contributed to an increase in the reported long service leave liability.

The net financial effect of the changes in the methodology and actuarial assumptions in the current financial year is an increase in the long service leave liability of \$255 000 and employee benefits expense of \$272 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2016 \$'000	2015 \$'000
Short-term deposits with SAFA	12 064	12 750
Cash at bank and on hand	<u>284</u>	<u>30</u>
Cash and cash equivalents as disclosed in the Statement of Financial Position	12 348	12 780
Balance as per the Statement of Cash Flows	<u>12 348</u>	<u>12 780</u>

Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:

	2016 \$'000	2015 \$'000
Net cash provided by (used in) operating activities	(352)	(3 706)
Less revenues from Government	(37 256)	(34 387)
Non cash items:		
Amount of lease incentive amortised	233	233
Depreciation and amortisation	(795)	(981)
Write off WIP	-	(5)
Movement in assets and liabilities:		
Increase/(decrease) in statutory charge debtors	10	372
Increase/(decrease) in receivables	446	(62)
(Increase)/decrease in employee benefits	(31)	(222)
(Increase)/decrease in legal payables	(191)	357
(Increase)/decrease in payables	<u>30</u>	<u>(11)</u>
Net cost of providing services	<u>(37 906)</u>	<u>(38 412)</u>

22. Unrecognised contractual commitments

	2016 \$'000	2015 \$'000
(a) Legal expense commitments		
Not later than one year	6 287	6 737
Total legal expense commitments	<u>6 287</u>	<u>6 737</u>

As at 30 June 2016, the Commission has disclosed a commitment on all outstanding amounts raised since 1 January 2016 (ie previous six months).

When a private practitioner is allocated a case, they are issued with a commitment certificate indicating the amount the private practitioner is able to claim in relation to the case. Once the private practitioner has provided the service, they sign and submit the commitment certificate, so they can be paid. 'Legal Expense Commitments' relate to commitment certificates that have been issued by the Commission but not yet returned.

	2016 \$'000	2015 \$'000
(b) Operating Lease commitments		
Not later than one year	2 614	2 554
Later than one year but not later than five years	10 824	9 070
Greater than five years	<u>19 779</u>	<u>22 211</u>
Total operating lease commitments	<u>33 217</u>	<u>33 835</u>

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. Lease payments are payable one month in advance.

In 2012-13 the Commission entered into a Memorandum of Understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a fifteen year term, with the option to renew available in 2029.

23. Remuneration of Commission members

Members of the Commission during the 2016 financial year were:

Mr Michael Abbott	Chairman
Ms Alison Lloyd Wright *	
Ms Catherine Nelson	
Mr Craig Caldicott	
Ms Gabrielle Canny *	Ex Officio
Mr Michael Dawson	
Mr Alan Herald	
Mr John Keen	

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

	Number of Members	
	2016	2015
\$0	2	3
\$1 - \$10 000	-	2
\$10 001 - \$20 000	5	5
\$20 001 - \$30 000	<u>1</u>	<u>1</u>
Total	<u>8</u>	<u>11</u>

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, fringe benefit tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$89 000 (2015 - \$95 000) including \$7 000 (2015 - \$8 000) paid or payable to superannuation plans for Commission members.

* In accordance with the Department of Premier and Cabinet Circular No.016, Commission members who are government employees paid at executive level did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, 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.

24. Contingent assets and liabilities

At balance date and as at the date of financial statement certification, there were no known contingent assets or liabilities.

25. Financial risk management/Financial instruments

Financial risk management

Risk management is managed by the Commission's Infrastructure Section and Commission risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commission is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

Categorisation of financial Instruments

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

Refer table 25.1 for the carrying amounts of each of the following categories of financial assets and liabilities: receivables; and financial liabilities measured at cost.

The Commission does not recognise any financial assets or financial liabilities at fair value. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 16 and 19).

Liquidity risk

Liquidity risk arises from the possibility that the Commission is unable to meet its financial obligations as they fall due. The Commission is funded principally from appropriations by the State and Commonwealth Governments. The Commission works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The Commission 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 Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in table 25.1 represents the Commission's maximum exposure to financial liabilities.

Table 25.1 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2016 Carrying amount/ Fair value (\$'000)	2016 Contractual Maturities			
			Current	Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
Financial assets						
<u>Cash and equivalent</u>						
- Cash and cash	15	12 348	12 348	-	-	-
<u>Loans and receivables</u>						
- Receivables (1)(2)	16	347	-	347	-	-
Total financial assets		12 695	12 348	347	-	-
Financial liabilities						
<u>Financial liabilities at cost</u>						
- Payables (1)	19	75	-	75	-	-
Total financial liabilities		75	-	75	-	-

Category of financial asset and financial liability	Notes	2015 Carrying amount/ Fair value (\$'000)	2015 Contractual Maturities			
			Current	Within 1 year (\$'000)	1-5 years (\$'000)	More than 5 years (\$'000)
Financial assets						
<u>Cash and equivalent</u>						
- Cash and cash	15	12 780	12 780	-	-	-
<u>Loans and receivables</u>						
- Receivables (1)(2)	16	269	-	269	-	-
Total financial assets		13 049	12 780	269	-	-
Financial liabilities						
<u>Financial liabilities at cost</u>						
- Payables (1)	19	109	-	109	-	-
Total financial liabilities		109	-	109	-	-

(1) Receivable and payable amounts disclosed above 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 levies, tax and equivalents 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).

(2) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in Note 16 as prepayments in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

Credit risk

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

The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Commission does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than in-house contributions owed by legal aid recipients (a statutory receivable excluded from this note), there is no evidence to indicate that any other Commission financial assets are impaired. Refer to note 2.11 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

Table 25.2 Ageing analysis of financial assets

	Carrying Amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired Financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2016						
Receivables ⁽¹⁾	347	167	-	-	180	-
2015						
Receivables ⁽¹⁾	269	228	-	-	41	-

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

Market risk

Market risk for the Commission is primarily through interest rate risk. 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 Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates is immaterial.

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the financial statements of the Legal Services Commission of South Australia:

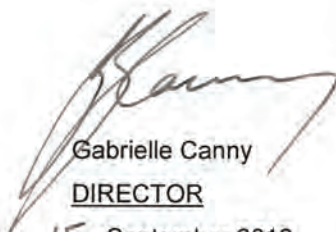
- are in accordance with the accounts and records of the Legal Services Commission of South Australia;
- complies with relevant Treasurer's instructions;
- complies with relevant Australian accounting standards;
- presents a true and fair view of the financial position of the Legal Services Commission of South Australia at the end of the financial year and the result of its operations and cash flows for the financial year.

We certify that the internal controls employed by Legal Services Commission of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Chinh Dinh-Pham
MANAGER, FINANCE

15 September 2016



Gabrielle Canny
DIRECTOR

15 September 2016



Michael Abbott
CHAIRMAN

18 September 2016



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**To the Chairman
Legal Services Commission**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, section 25 of the *Legal Services Commission Act 1977*, I have audited the accompanying financial report of the Legal Services Commission for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Director and the Manager, Finance.

Members of the Commission's responsibility for the financial report

The members of the Commission are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Commission determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Commission, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Legal Services Commission's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

22 September 2016

The Legislature — House of Assembly

Financial report
for the year ended
30 June 2016

House of Assembly

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	4	2,750	2,462
Members' salaries and allowances	5	9,468	8,413
Supplies and services	6	2,306	2,684
Depreciation and amortisation expense	7	167	221
Net loss from the disposal of non-current assets	11	-	3
Assets provided for nil consideration to the Joint Parliamentary Service	11	399	165
Total expenses		15,090	13,948
Income			
Other income		9	50
Total income		9	50
Net cost of providing services		15,081	13,898
Revenues from SA Government	8	15,124	14,006
Net result		43	108
Total comprehensive result		43	108

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Financial Position

As at 30 June 2016

	Note	2016 S'000	2015 S'000
Current assets			
Cash and cash equivalents	9	2,236	1,952
Receivables	10	100	82
Total current assets		2,336	2,034
Non-current assets			
Property, plant and equipment	11	1,347	1,573
Total non-current assets		1,347	1,573
Total assets		3,683	3,607
Current liabilities			
Payables	13	189	308
Employee benefits	14	460	424
Provisions	15	3	3
Total current liabilities		652	735
Non-current liabilities			
Payables	13	82	47
Employee benefits	14	884	808
Provisions	15	11	6
Total non-current liabilities		977	861
Total liabilities		1,629	1,596
Net assets		2,054	2,011
Equity			
Retained earnings		2,003	1,960
Asset revaluation surplus	16	51	51
Total equity		2,054	2,011
Unrecognised contractual commitments	17		
Contingent assets and liabilities	19		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2016

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2014		51	1,852	1,903
Net result for 2014-15		-	108	108
Total comprehensive result for 2014-15		-	108	108
Balance at 30 June 2015		51	1,960	2,011
Net result for 2015-16		-	43	43
Total comprehensive result for 2015-16		-	43	43
Balance at 30 June 2016		51	2,003	2,054

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(2,633)	(2,243)
Members' salaries allowances and superannuation		(9,468)	(8,413)
Payments for supplies and services		(2,640)	(3,069)
Payments for paid parental leave scheme		(35)	(1)
Cash used in operations		(14,776)	(13,726)
Cash inflows			
GST recovered from the ATO		232	266
Receipts for paid parental leave scheme		35	-
Other receipts		9	54
Cash generated from operations		276	320
Cash flows from SA Government			
Receipts from State Government		15,124	14,006
Cash generated from SA Government		15,124	14,006
Net cash provided by operating activities	21	624	600
Cash flows from investing activities			
Purchase of property, plant and equipment		(340)	(337)
Net cash used in investing activities		(340)	(337)
Net increase in cash and cash equivalents		284	263
Cash and cash equivalents at 1 July		1,952	1,689
Cash and cash equivalents at 30 June	9	2,236	1,952

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

1. Objective of the House of Assembly

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of forty-seven Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The House of Assembly provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The House of Assembly has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the House of Assembly is a not-for-profit entity.

Except for AASB 2016-7 which the House of Assembly has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2016 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the House of Assembly'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (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 equal to or greater than the base executive remuneration level (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.

House of Assembly

Financial Statements

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(d) Rounding

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

(e) Taxation

The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

(f) Income

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

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

House of Assembly

Financial Statements

The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Members' salaries and allowances

Members' salaries and allowances include all costs related to Members including salaries, committee payments, electorate allowances and office holder salaries.

Ministers' salaries, allowances and benefits are excluded from these financial statements and are paid to Ministers by other State Government agencies and included in their financial statements. Ministers' salaries and allowances have been disclosed in note 5.

Depreciation

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.

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

Land is not depreciated.

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

Class of asset	Useful life
Plant and equipment	5 - 30 years
Fixtures and fittings	5 - 10 years
Computer equipment	3 - 5 years

House of Assembly

Financial Statements

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(h) *Current and non-current classification*

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be 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 an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be recovered after more than 12 months.

(i) *Assets*

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

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

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 after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

House of Assembly

Financial Statements

Buildings within which the House of Assembly operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Revaluation of non-current assets

All non-current tangible assets are valued at 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 3 years.

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

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.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus 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 surplus relating to that asset is transferred to retained earnings.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

House of Assembly

Financial Statements

The House of Assembly classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-Financial assets

In determining fair value, the House of Assembly has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The House of Assembly's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the House of Assembly did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The House of Assembly does not recognise any financial assets or financial liabilities at fair value.

(j) Liabilities

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

Payables

Payables include creditors, accrued expenses, GST payable 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 House of Assembly.

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.

House of Assembly

Financial Statements

The Paid Parental Leave Scheme payable represents amounts which the House of Assembly has received from the Commonwealth Government to forward onto eligible employees via the House of Assembly's standard payroll processes. That is, the House of Assembly is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Leases

The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

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

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, SERL and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

House of Assembly

Financial Statements

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as the House of Assembly 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.

Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The House of Assembly is responsible for the payment of workers compensation claims.

(k) *Unrecognised contractual commitments and contingent assets and liabilities*

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

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

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

3. New and revised accounting standards and policies

Accounting Standards

Except for AASB 2016-7 which the House of Assembly has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2016. The House of Assembly has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the House of Assembly.

House of Assembly

Financial Statements

	2016	2015
	\$'000	\$'000
4. Employee benefits expenses		
Salaries and wages	2,298	2,096
Employment on-costs – superannuation	213	190
Employment on-costs – other	233	183
Workers compensation	6	(7)
Total employee benefits expenses	2,750	2,462

Remuneration of employees

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

	2016	2015
	No	No
\$165,001 – 175,000	1	-
\$215,001 – 225,000	1	1
Total	2	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees was \$390,000 (2015 \$216,000).

	2016	2015
	\$'000	\$'000
5. Members' salaries and allowances		
Members' salaries and allowances	8,006	7,133
Superannuation	1,462	1,280
Total members' salaries and allowances	9,468	8,413

Members' salaries, electorate allowances and additional salaries of \$8.0 million (2015 \$7.1 million) reflected in these financial statements are paid from Appropriations provided under the the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$3.6 million (2015 \$3.5 million) and superannuation of \$769,000 (2015 \$745,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

House of Assembly

Financial Statements

	2016 \$'000	2015 \$'000
6. Supplies and services		
Printing	356	382
Information technology	239	491
Lease	122	126
Publications	50	43
Security	181	147
Vehicle hire	9	8
Members travel, accommodation and related expenses	781	936
Travelling expenses	57	45
Fringe benefits tax	159	183
Stationery	23	21
Staff training and development	6	8
Records and artwork management	56	12
Agency staff hire	80	20
Consultants fees	-	-
Advertisements	18	38
Repairs and maintenance	26	15
Minor works and equipment	8	31
Other	135	178
Total supplies and services	2,306	2,684

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

	2016		2015	
	No	\$'000	No	\$'000
Below \$10,000	-	-	-	-
Above \$10,000	-	-	-	-
Total paid/payable to consultants engaged	-	-	-	-

	2016 \$'000	2015 \$'000
7. Depreciation and amortisation expense		
Plant and equipment	28	27
Fixtures and fittings	35	35
Computer equipment	104	159
Total depreciation and amortisation	167	221

House of Assembly

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	2016	2015
	\$'000	\$'000
8. Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	7,118	6,873
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	8,006	7,133
Total revenues from SA Government	15,124	14,006

9. Cash and cash equivalents		
Deposits with the Treasurer	2,236	1,952
Total cash and cash equivalents	2,236	1,952

Deposits with the Treasurer

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, funds can only be used in accordance with the Treasurer's approval.

10. Receivables		
Receivables	6	8
Prepayments	90	73
Other	4	1
Total current receivables	100	82

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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	2016 \$'000	2015 \$'000
11. Property, plant and equipment		
Plant and equipment		
Fair value	184	184
Less: Accumulated depreciation	(116)	(88)
Total plant and equipment	68	96
Fixtures and fittings		
Fair value	489	496
Less: Accumulated depreciation	(136)	(108)
Total fixtures and fittings	353	388
Computer equipment		
At cost (deemed fair value)	1,294	1,288
Less: Accumulated depreciation	(1,076)	(972)
Total computer equipment	218	316
Works of art		
Independent valuation	669	669
Total works of art	669	669
Capital works in progress		
Capital works in progress	39	104
Total capital works in progress	39	104
Total property, plant and equipment	1,347	1,573

Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desk top valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2016.

House of Assembly

Financial Statements

11. Property, plant and equipment

Asset Movement Reconciliation 2015-16

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	96	388	316	669	104	1,573
Additions	-	-	6	-	334	340
Assets provided for nil consideration	-	-	-	-	(399)	(399)
Depreciation	(28)	(35)	(104)	-	-	(167)
Carrying amount at 30 June	68	353	218	669	39	1,347

Asset Movement Reconciliation 2014-15

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	106	423	427	669	-	1,625
Additions	20	-	48	-	269	337
Assets provided for nil consideration	-	-	-	-	(165)	(165)
Depreciation	(27)	(35)	(159)	-	-	(221)
Disposals	(3)	-	-	-	-	(3)
Carrying amount at 30 June	96	388	316	669	104	1,573

House of Assembly

Financial Statements

12. Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The House of Assembly categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement as follows:

Fair value measurements at 30 June 2016		Level 3	Total
		\$'000	\$'000
Recurring fair value measurements			
Plant and equipment (note 11)		68	68
Fixtures and fittings (note 11)		353	353
Computer equipment (note 11)		218	218
Works of art (note 11)		669	669
Total recurring fair value measurements		1,308	1,308

Fair value measurements at 30 June 2015		Level 3	Total
		\$'000	\$'000
Recurring fair value measurements			
Plant and equipment (note 11)		96	96
Fixtures and fittings (note 11)		388	388
Computer equipment (note 11)		316	316
Works of art (note 11)		669	669
Total recurring fair value measurements		1,469	1,469

The House of Assembly's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 3 fair values are at note 11.

During 2016 and 2015, the House of Assembly had no valuations categorised into level 1 and level 2. There were no changes in valuation technique.

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	2016 \$'000	2015 \$'000
13. Payables		
Current		
Creditors	-	28
Accrued expenses	124	208
Employment on-costs	65	72
Total current payables	189	308
Expected to be settled more than twelve months after reporting date		
Employment on-costs	82	47
Total non-current payables	82	47
Total payables	271	355

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$1,000.

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 benefits 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.

14. Employee benefits

Current		
Annual leave	269	251
Long service leave	131	121
Skills and experience retention leave	25	29
Accrued salaries and wages	35	23
Total current employee benefits	460	424
Non-current		
Long service leave	884	808
Total non-current employee benefits	884	808
Total employee benefits	1,344	1,232

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

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AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2015 (3.00%) to 2016 (2.00%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$60,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

	2016 \$'000	2015 \$'000
15. Provisions		
Current		
Provision for workers compensation	3	3
Total current provisions	3	3
Non current		
Provision for workers compensation	11	6
Total non-current provisions	11	6
Total provisions	14	9
Provision movement		
Carrying amount at 1 July	9	15
Additional provisions recognised	5	-
Reduction in provisions recognised	-	6
Carrying amount at 30 June	14	9

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

16. Equity		
Accumulated surplus	2,003	1,960
Asset revaluation surplus	51	51
Total equity	2,054	2,011

The Asset revaluation surplus is to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

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	2016 \$'000	2015 \$'000
17. Unrecognised 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:		
Within one year	112	108
Later than one year but no longer than five years	-	46
Total operating lease commitments	112	154

The House of Assembly's operating leases are for office accommodation. The leases are non- cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

18. Events after the reporting period

There have been no events after the reporting period.

19. Contingent assets and liabilities

The House of Assembly is not aware of any contingent assets or liabilities.

20. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June:

Cash and cash equivalents disclosed in the Statement of Financial Position	2,236	1,952
Balance as per the Statement of Cash Flows	2,236	1,952

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

Net cash provided by operating activities	624	600
Less revenues from SA Government	(15,124)	(14,006)

Add/less non-cash items

Depreciation expense of non-current assets	(167)	(221)
Gain/(loss) on sale or disposal of non-current assets	-	(3)
Assets provided for nil consideration to the Joint Parliamentary Service	(399)	(165)

Movements in assets and liabilities

Increase/(decrease) in receivables	18	52
Decrease/(increase) in payables	84	64
(Increase)/decrease in employee benefits	(112)	(225)
(Increase)/decrease in provisions	(5)	6

Net cost of providing services	(15,081)	(13,898)
---------------------------------------	-----------------	-----------------

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22. Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	452	366	2,298	2,096	2,750	2,462
Members' salaries and allowances	5	1,462	1,280	8,006	7,133	9,468	8,413
Supplies and services:	6						
Printing		347	375	9	7	356	382
Information technology		142	196	97	295	239	491
Lease		122	126	-	-	122	126
Publications		-	-	50	43	50	43
Security		181	147	-	-	181	147
Vehicle hire		-	-	9	8	9	8
Members travel, accommodation and related expenses		-	-	781	936	781	936
Travelling expenses		-	-	57	45	57	45
Fringe benefits tax		-	-	159	183	159	183
Stationery		-	-	23	21	23	21
Staff training and development		-	-	6	8	6	8
Records and artwork management		-	-	56	12	56	12
Agency staff hire		-	-	80	20	80	20
Consultants fees		-	-	-	-	-	-
Advertisements		-	-	18	38	18	38
Repairs and maintenance		-	-	26	15	26	15
Minor works and equipment		-	-	8	31	8	31
Other		4	-	131	178	135	178
Depreciation and amorisation expense	7	-	-	167	221	167	221
Net loss from the disposal of non-current assets		-	-	-	3	-	3
Assets provided for nil consideration	11	399	165	-	-	399	165
Total expenses		3,109	2,655	11,981	11,293	15,090	13,948
Income							
Other		-	-	9	50	9	50
Revenues from SA Government	8	15,124	14,006	-	-	15,124	14,006
Total Income		15,124	14,006	9	50	15,133	14,056

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	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	2,236	1,952	-	-	2,236	1,952
Receivables:	10						
Receivables		-	-	6	8	6	8
Prepayments		-	-	90	73	90	73
Other		-	-	4	1	4	1
Total financial assets		2,236	1,952	100	82	2,336	2,034
Financial liabilities							
Payables:	13						
Creditors		-	-	-	28	-	28
Accrued expenses		80	118	44	90	124	208
Employment on-costs		7	19	140	100	147	119
Total financial liabilities		87	137	184	218	271	355

House of Assembly

Financial Statements

23. Financial risk management / Financial instruments

23.1 Financial risk management

Risk management is managed by the House of Assembly's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The House of Assembly is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

23.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The House of Assembly does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2016 Carrying Amount/ Fair Value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents						
Cash and cash equivalents	9	2,236	2,236	-	-	-
Loans and receivables						
Receivables (1) (2)	10	10	10	-	-	-
		2,246	2,246	-	-	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	13	66	66	-	-	-
		66	66	-	-	-

House of Assembly

Financial Statements

Category of financial asset and financial liability		2015	2015 Contractual maturities					
		Carrying	Current	Within	1-5 years	More than		
		Amount/					1 year	5 years
		Fair Value					\$'000	\$'000
Financial assets								
Cash and cash equivalents								
Cash and cash equivalents	9	1,952	1,952	-	-	-		
Loans and receivables								
Receivables (1) (2)	10	9	9	-	-	-		
		1,961	1,961	-	-	-		
Financial liabilities								
Financial liabilities at cost								
Payables (1)	13	197	197	-	-	-		
		197	197	-	-	-		

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

23.3 Liquidity risk

Liquidity risk arises from the possibility where the House of Assembly is unable to meet its financial obligations as they are due. The House of Assembly is funded from appropriation by the SA Government. The House of Assembly works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The House of Assembly 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 House of Assembly's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

23.4 Credit risk

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

The House of Assembly has minimal concentration of credit risk. The House of Assembly has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The House of Assembly does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the House of Assembly.

House of Assembly

Financial Statements

23.5 Market risk

The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

The House of Assembly does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The House of Assembly does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Sensitivity disclosure analysis

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

House of Assembly

Financial Statements

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the House of Assembly:

- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the House of Assembly; and
- presents a true and fair view of the financial position of the House of Assembly as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the House of Assembly for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Clerk
House of Assembly

29 / 8 / 2016



Chief Finance Officer
Joint Parliamentary Service

29 / 8 / 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

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To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987* I have audited the accompanying financial report of the House of Assembly for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Clerk, House of Assembly and the Chief Finance Officer, Joint Parliamentary Service.

The Clerk of the House of Assembly's responsibility for the financial report

The Clerk of the House of Assembly is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Clerk of the House of Assembly determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

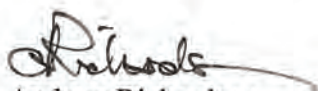
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Clerk of the House of Assembly, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Parliament website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the House of Assembly as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

31 August 2016

The Legislature —
Joint Parliamentary Service

Financial report
for the year ended
30 June 2016

Joint Parliamentary Service

Financial Statements

Statement of Comprehensive Income For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	4	6,531	6,225
Supplies and services	5	3,166	3,268
Depreciation and amortisation expense	7	1,966	1,863
Net loss from the disposal of non-current assets	11	-	3
Net loss from the revaluation of non-current assets	11	11,093	-
Total expenses		22,756	11,359
Income			
Assets acquired at nil consideration from the House of Assembly	11	399	165
Assets acquired at nil consideration from the Legislative Council	11	200	83
Other income		29	32
Total income		628	280
Net cost of providing services		22,128	11,079
Revenues from SA Government	8	11,019	10,895
Net result		(11,109)	(184)
Other comprehensive income			
Changes in property, plant and equipment asset revaluation surplus		(4,850)	-
Total comprehensive result		(15,959)	(184)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Financial Position As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	9	2,221	1,099
Receivables	10	206	207
Total current assets		2,427	1,306
Non-current assets			
Receivables	10	29	35
Property, plant and equipment	11	78,560	95,396
Total non-current assets		78,589	95,431
Total assets		81,016	96,737
Current liabilities			
Payables	13	402	436
Employee benefits	14	942	849
Provisions	15	64	30
Total current liabilities		1,408	1,315
Non-current liabilities			
Payables	13	147	92
Employee benefits	14	1,587	1,578
Provisions	15	153	72
Total non-current liabilities		1,887	1,742
Total liabilities		3,295	3,057
Net assets		77,721	93,680
Equity			
Retained earnings		65,599	76,708
Asset revaluation surplus	16	9,219	14,069
Contributed capital	16	2,903	2,903
Total equity		77,721	93,680
Unrecognised contractual commitments	17		
Contingent assets and liabilities	20		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2016

	Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2014		2,903	14,069	76,892	93,864
Net result for 2014-15		-	-	(184)	(184)
Total comprehensive result for 2014-15		-	-	(184)	(184)
Balance at 30 June 2015		2,903	14,069	76,708	93,680
Net result for 2015-16		-	-	(11,109)	(11,109)
Loss from revaluation of land during 2015-16	11	-	(4,850)	-	(4,850)
Total comprehensive result for 2015-16		-	(4,850)	(11,109)	(15,959)
Balance at 30 June 2016		2,903	9,219	65,599	77,721

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Cash Flows For the year ended 30 June 2016

	Note	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(6,315)	(5,931)
Payments for supplies and services		(3,443)	(3,515)
Payments for paid parental leave scheme		-	(12)
Cash used in operations		(9,758)	(9,458)
Cash inflows			
GST recovered from the ATO		303	333
Receipts for paid parental leave scheme		-	12
Other receipts		32	36
Cash generated from operations		335	381
Cash flows from SA Government			
Receipts from State Government		11,019	10,895
Cash generated from SA Government		11,019	10,895
Net cash provided by / (used in) operating activities	18	1,596	1,818
Cash flows from investing activities			
Purchase of property, plant and equipment		(474)	(719)
Net cash used in investing activities		(474)	(719)
Net decrease in cash and cash equivalents		1,122	1,099
Cash and cash equivalents at 1 July		1,099	-
Cash and cash equivalents at 30 June	9	2,221	1,099

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

1. Objective of the Joint Parliamentary Service

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

The Joint Parliamentary Service receives assets from the House of Assembly and Legislative Council for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Joint Parliamentary Service has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Joint Parliamentary Service is a not-for-profit entity.

Except for AASB 2015-7 which the Joint Parliamentary Service has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Joint Parliamentary Service for the reporting period ending 30 June 2016 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Joint Parliamentary Service'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (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 equal to or greater than the base executive remuneration level (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.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(d) Rounding

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

(e) Taxation

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

(f) Income

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

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

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The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Depreciation

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.

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

Land is not depreciated.

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

Class of asset	Useful life
Buildings	100 years
Plant and equipment	5 - 30 years
Fixtures and fittings	3 - 10 years
Computer equipment	3 - 5 years

Joint Parliamentary Service estimate the remaining useful life of Parliament House to be 100 years.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The majority of fixtures and fittings are antiques. The library collection and fixture and fittings antiques are anticipated to have a very long and indeterminate useful life.

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The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

Works of art controlled by the Joint Parliamentary Service are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(h) *Current and non-current classification*

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

(i) *Assets*

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

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

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 after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

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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.

Buildings within which the House of Assembly and Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Capital works in progress contributed by the House of Assembly and Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an income in the period contributed.

Revaluation of non-current assets

All non-current tangible assets are valued at 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 3 years.

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

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.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus 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 surplus relating to that asset is transferred to retained earnings.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the

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measurement date.

The Joint Parliamentary Service classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-Financial assets

In determining fair value, the Joint Parliamentary Service has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Joint Parliamentary Service's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Joint Parliamentary Service did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value.

(j) Liabilities

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

Payables

Payables include creditors, accrued expenses, GST payable 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 Joint Parliamentary Service.

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.

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

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The Joint Parliamentary Service makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the 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.

Leases

The Joint Parliamentary Service leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

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

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, SERL and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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The unconditional portion of the long service leave provision is classified as current as the Joint Parliamentary Service 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.

Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Joint Parliamentary Service is responsible for the payment of workers compensation claims.

(k) *Unrecognised contractual commitments and contingent assets and liabilities*

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

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

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

3. New and revised accounting standards and policies

Accounting Standards

Except for AASB 2015-7 which the Joint Parliamentary Service has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Joint Parliamentary Service for the period ending 30 June 2016. The Joint Parliamentary Service has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Joint Parliamentary Service.

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	2016	2015
	\$'000	\$'000
4. Employee benefits expenses		
Salaries and wages	5,373	5,365
Employment on-costs – superannuation	570	564
Employment on-costs – other	357	297
Workers compensation	231	(1)
Total employee benefits expenses	6,531	6,225

Remuneration of employees

	2016	2015
	No	No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$155,001 – 165,000	1	1
	1	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by this employee was \$160,000 (2015: \$157,000).

	2016	2015
	\$'000	\$'000
5. Supplies and services		
Building maintenance	489	451
Utilities	465	550
Cleaning	337	329
Minor works and equipment	80	160
Telephone	129	157
Printing and publishing	372	473
Insurance	48	57
Information technology	476	355
Lease	53	54
Audit fees	75	78
Shared Services	95	98
Vehicle hire	24	23
Staff training and development	10	11
Agency staff hire	98	109
Fringe benefits tax	49	52
Consultants fees	82	13
Occupational, Health, Safety and Welfare compliance	15	12
Other	269	286
Total supplies and services	3,166	3,268

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

	2016		2015	
	No	\$'000	No	\$'000
Below \$10,000	2	4	3	13
Above \$10,000	4	78	-	-
Total paid/payable to consultants engaged	6	82	3	13

6. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements of the Joint Parliamentary Service, Legislative Council and House of Assembly.

Total auditor's remuneration

	2016	2015
	\$'000	\$'000
	75	78
Total auditor's remuneration	75	78

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Supplies and services' (refer to note 5).

7. Depreciation and amortisation expense

Buildings	657	623
Plant and equipment	142	121
Fixtures and fittings	1	18
Computer equipment	1,166	1,101
Total depreciation and amortisation	1,966	1,863

8. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*

Total revenues from SA Government

	11,019	10,895
Total revenues from SA Government	11,019	10,895

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	2016	2015
	\$'000	\$'000
9. Cash and cash equivalents		
Deposits with the Treasurer	2,221	1,099
Total cash and cash equivalents	2,221	1,099

Deposits with the Treasurer

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, funds can only be used in accordance with the Treasurer's approval.

10. Receivables

Current

Receivables	105	118
Prepayments	88	82
Other	13	7
Total current receivables	206	207

Non-current

Prepayments	29	35
Total non-current receivables	29	35

Total receivables	235	242
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Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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	2016 \$'000	2015 \$'000
11. Property, plant and equipment		
Land		
Fair value	21,825	26,675
Total land	21,825	26,675
Buildings		
Fair value	49,898	62,601
Less: Accumulated depreciation	-	(2,079)
Total buildings	49,898	60,522
Plant and equipment		
Fair value	3,487	3,131
Less: Accumulated depreciation	(565)	(424)
Total plant and equipment	2,922	2,707
Fixtures and fittings		
Fair value	879	869
Less: Accumulated depreciation	(75)	(72)
Total fixtures and fittings	804	797
Computer equipment		
At cost (deemed fair value)	9,853	9,684
Less: Accumulated depreciation	(7,756)	(6,591)
Total computer equipment	2,097	3,093
Library		
Independent valuation	612	1,495
Total library	612	1,495
Capital works in progress		
Capital works in progress	402	107
Total capital works in progress	402	107
Total property, plant and equipment	78,560	95,396

Valuation of assets

An independent valuation of the land and buildings was conducted as at 30 June 2016 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2016 was prepared on a fair value basis.

An independent valuation of the library collection was conducted at 30 June 2016 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2016 was a desk top valuation that updated a previous valuation determined at 30 June 2011. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

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11. Property, plant and equipment

An independent valuation of the plant and equipment and fixtures and fittings was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practising Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2016.

Asset Movement Reconciliation 2015-16	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Library	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	26,675	60,522	2,707	797	3,093	1,495	107	95,396
Additions	-	-	1	8	23	-	442	474
Assets acquired at nil consideration	-	-	-	-	-	-	599	599
Additions - Transfers to / (from) CWIP	-	243	356	-	147	-	(746)	-
Depreciation	-	(657)	(142)	(1)	(1,166)	-	-	(1,966)
Net revaluation increment / (decrement)	(4,850)	(10,210)	-	-	-	(883)	-	(15,943)
Carrying amount at 30 June	21,825	49,898	2,922	804	2,097	612	402	78,560

Asset Movement Reconciliation 2014-15	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Library	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	26,675	60,762	2,506	815	2,945	1,495	1,097	96,295
Additions	-	-	10	-	85	-	624	719
Assets acquired at nil consideration	-	-	-	-	-	-	248	248
Additions - Transfers to / (from) CWIP	-	383	314	-	1,165	-	(1,862)	-
Depreciation	-	(623)	(121)	(18)	(1,101)	-	-	(1,863)
Disposals	-	-	(2)	-	(1)	-	-	(3)
Carrying amount at 30 June	26,675	60,522	2,707	797	3,093	1,495	107	95,396

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12. Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Joint Parliamentary Service categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement as follows:

Fair value measurements at 30 June 2016		Level 3	Total
		\$'000	\$'000
Recurring fair value measurements			
Land (note 11)		21,825	21,825
Buildings (note 11)		49,898	49,898
Plant and equipment (note 11)		2,922	2,922
Fixtures and fittings (note 11)		804	804
Computer equipment (note 11)		2,097	2,097
Library (note 11)		612	612
Total recurring fair value measurements		78,158	78,158
Fair value measurements at 30 June 2015		Level 3	Total
		\$'000	\$'000
Recurring fair value measurements			
Land (note 11)		26,675	26,675
Buildings (note 11)		60,522	60,522
Plant and equipment (note 11)		2,707	2,707
Fixtures and fittings (note 11)		797	797
Computer equipment (note 11)		3,093	3,093
Library (note 11)		1,495	1,495
Total recurring fair value measurements		95,289	95,289

The Joint Parliamentary Service's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 3 fair values are at note 11.

During 2016 and 2015, the Joint Parliamentary Service had no valuations categorised into level 1 and level 2. There were no changes in valuation technique.

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	2016 \$'000	2015 \$'000
13. Payables		
Current		
Creditors	1	71
Accrued expenses	269	225
Employment on-costs	132	140
Total current payables	402	436
Expected to be settled more than twelve months after reporting date		
Employment on-costs	147	92
Total non-current payables	147	92
Total payables	549	528

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$5,000.

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 benefits 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.

14. Employee benefits

Current		
Annual leave	518	525
Long service leave	284	220
Skills and experience retention leave	37	48
Accrued salaries and wages	103	56
Total current employee benefits	942	849
Non current		
Long service leave	1,587	1,578
Total non-current employee benefits	1,587	1,578
Total employee benefits	2,529	2,427

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2015 (3.00%) to 2016 (2.00%).

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This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$111,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

	2016 \$'000	2015 \$'000
15. Provisions		
Current		
Provision for workers compensation	64	30
Total current provisions	64	30
Non current		
Provision for workers compensation	153	72
Total non-current provisions	153	72
Total provisions	217	102
Provision movement		
Carrying amount at 1 July	102	104
Additional provisions recognised	247	2
Reductions arising from payments	132	4
Carrying amount at 30 June	217	102

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

	2016 \$'000	2015 \$'000
16. Equity		
Accumulated surplus	65,599	76,708
Asset revaluation surplus	9,219	14,069
Contributed capital	2,903	2,903
Total equity	77,721	93,680

The Asset revaluation surplus is to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Joint Parliamentary Service

Financial Statements

	2016 \$'000	2015 \$'000
17. Unrecognised 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:		
Within one year	65	62
Later than one year but no longer than five years	70	88
Later than five years	53	68
Total operating lease commitments	188	218

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

Expenditure commitments

Other commitments contracted for but not recognised as liabilities are payable as follows:

Within one year	23	15
Later than one year but no longer than five years	7	18
Total expenditure commitments	30	33

The Joint Parliamentary Service's expenditure commitments are for agreements for computer and software related contracts.

	2016 \$'000	2015 \$'000
18. Cash flow reconciliation		
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	2,221	1,099
Balance as per the Statement of Cash Flows	2,221	1,099
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	1,596	1,818
Less revenues from SA Government	(11,019)	(10,895)
Add/less non-cash items		
Depreciation expense of non-current assets	(1,966)	(1,863)
Gain/(loss) on sale or disposal of non-current assets	-	(3)
(Decrements)/increments on revaluation of non-current assets	(11,093)	-
Assets acquired at nil consideration	599	248
Movements in assets and liabilities		
(Decrease)/increase in receivables	(7)	(54)
(Increase)/decrease in payables	(21)	(36)
(Increase)/decrease in employee benefits	(102)	(296)
(Increase)/decrease in provisions	(115)	2
Net cost of providing services	(22,128)	(11,079)

Joint Parliamentary Service

Financial Statements

19. Events after the reporting period

There have been no events after the reporting period.

20. Contingent assets and liabilities

The Joint Parliamentary Service is not aware of any contingent assets or liabilities.

21. Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	1,158	860	5,373	5,365	6,531	6,225
Supplies and services:	5						
Building maintenance		320	275	169	176	489	451
Utilities		91	101	374	449	465	550
Cleaning		311	302	26	27	337	329
Minor works and equipment		-	10	80	150	80	160
Telephone		-	-	129	157	129	157
Printing and publishing		359	449	13	24	372	473
Insurance		-	-	48	57	48	57
Information technology		17	19	459	336	476	355
Lease		-	-	53	54	53	54
Audit fees		-	-	75	78	75	78
Shared Services		-	-	95	98	95	98
Vehicle hire		-	-	24	23	24	23
Staff training and development		-	-	10	11	10	11
Agency staff hire		-	-	98	109	98	109
Fringe benefits tax		-	-	49	52	49	52
Consultants fees		-	-	82	13	82	13
Occupational, Health, Safety and Welfare compliance		-	-	15	12	15	12
Other		59	60	210	226	269	286
Depreciation	7	-	-	1,966	1,863	1,966	1,863
Total expenses		2,315	2,076	9,348	9,280	11,663	11,356
Income							
Assets acquired at nil consideration	11	599	248	-	-	599	248
Other		-	-	29	32	29	32
Revenues from SA Government	8	11,019	10,895	-	-	11,019	10,895
Total Income		11,618	11,143	29	32	11,647	11,175

Joint Parliamentary Service

Financial Statements

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	2,221	1,099	-	-	2,221	1,099
Receivables:	10						
Receivables		1	-	104	118	105	118
Prepayments		-	-	117	117	117	117
Other		-	-	13	7	13	7
Total financial assets		2,222	1,099	234	242	2,456	1,341
Financial liabilities							
Payables:	13						
Creditors		-	-	1	71	1	71
Accrued expenses		214	167	55	58	269	225
Employment on-costs		19	32	260	200	279	232
Total financial liabilities		233	199	316	329	549	528

Joint Parliamentary Service

Financial Statements

22. Financial risk management / Financial instruments

22.1 Financial risk management

Risk management is managed by the Joint Parliamentary Service's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Joint Parliamentary Service is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

22.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2016 Contractual maturities			
		2016 Carrying Amount/ Fair Value \$'000	Current \$'000	Within 1 year	More than 5 years
				\$'000	\$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	9	2,221	2,221	-	-
Loans and receivables					
Receivables (1) (2)	10	14	14	-	-
		2,235	2,235	-	-
Financial liabilities					
Financial liabilities at cost					
Payables (1)	13	157	157	-	-
		157	157	-	-

Joint Parliamentary Service

Financial Statements

Category of financial asset and financial liability		2015	2015 Contractual maturities			
		Carrying	Current	Within 1 year	1-5 years	More than 5 years
		Amount/ Fair Value				
		\$'000				
Financial assets						
Cash and cash equivalents						
Cash and cash equivalents	9	1,099	1,099	-	-	-
Loans and receivables						
Receivables (1) (2)	10	7	7	-	-	-
		1,106	1,106	-	-	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	13	206	206	-	-	-
		206	206	-	-	-

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

22.3 Liquidity risk

Liquidity risk arises from the possibility where the Joint Parliamentary Service is unable to meet its financial obligations as they are due. The Joint Parliamentary Service is funded from appropriation by the SA Government. The Joint Parliamentary Service works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Joint Parliamentary Service 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 Joint Parliamentary Service's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

22.4 Credit risk

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

The Joint Parliamentary Service has minimal concentration of credit risk. The Joint Parliamentary Service has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Joint Parliamentary Service does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Joint Parliamentary Service.

Joint Parliamentary Service

Financial Statements

22.5 Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

The Joint Parliamentary Service does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. Joint Parliamentary Service does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Sensitivity disclosure analysis

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

Joint Parliamentary Service

Financial Statements

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Joint Parliamentary Service:

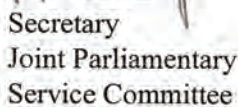
- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Joint Parliamentary Service; and
- presents a true and fair view of the financial position of the Joint Parliamentary Service as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Joint Parliamentary Service for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Chair
Joint Parliamentary
Service Committee

29 / 8 / 2016



Secretary
Joint Parliamentary
Service Committee

29 / 8 / 2016



Chief Finance Officer
Joint Parliamentary Service

29 / 8 / 2016



Chair
Joint Parliamentary
Service Committee

29 / 8 / 2016



Secretary
Joint Parliamentary
Service Committee

29 / 8 / 2016

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987* I have audited the accompanying financial report of the Joint Parliamentary Service for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the two Chairs and the two Secretaries of the Joint Parliamentary Service Committee and the Chief Finance Officer, Joint Parliamentary Service.

The Members of the Joint Parliamentary Service Committee's responsibility for the financial report

The Members of the Joint Parliamentary Service Committee are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Members of the Joint Parliamentary Service Committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on conducting the audit in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer Opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Parliament website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

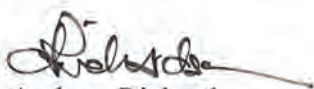
Basis for Disclaimer of Opinion

The Members of the Joint Parliamentary Service Committee are responsible for the management of the Joint Parliamentary Service. The Members have not provided unrestricted access to the minutes of their meetings. As a result, I cannot assess whether matters deliberated and decided by the Members that have financial consequences have been recognised or disclosed in the financial report.

The Members of the Joint Parliamentary Service Committee are responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial report. The Members have not provided access to this financial information to enable the effect of the omission on the financial report to be quantified.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion on the financial report.



Andrew Richardson

Auditor-General

31 August 2016

The Legislature — Legislative Council

Financial report
for the year ended
30 June 2016

Legislative Council

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	4	2,239	2,136
Members' salaries and allowances	5	4,997	4,790
Supplies and services	6	1,595	1,542
Depreciation and amortisation expense	7	70	102
Assets provided for nil consideration to the Joint Parliamentary Service	11	200	83
Total expenses		9,101	8,653
Income			
Other income		3	4
Total income		3	4
Net cost of providing services		9,098	8,649
Revenues from SA Government	8	9,032	8,614
Net result		(66)	(35)
Total comprehensive result		(66)	(35)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	9	1,621	1,414
Receivables	10	46	45
Total current assets		1,667	1,459
Non-current assets			
Property, plant and equipment	11	1,131	1,226
Total non-current assets		1,131	1,226
Total assets		2,798	2,685
Current liabilities			
Payables	13	153	163
Employee benefits	14	221	213
Provisions	15	1	1
Total current liabilities		375	377
Non-current liabilities			
Payables	13	151	99
Employee benefits	14	1,459	1,330
Provisions	15	3	3
Total non-current liabilities		1,613	1,432
Total liabilities		1,988	1,809
Net assets		810	876
Equity			
Retained earnings		734	800
Asset revaluation surplus	16	76	76
Total equity		810	876
Unrecognised contractual commitments	17		
Contingent assets and liabilities	19		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2016

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2014		76	835	911
Net result for 2014-15		-	(35)	(35)
Total comprehensive result for 2014-15		-	(35)	(35)
Balance at 30 June 2015		76	800	876
Net result for 2015-16		-	(66)	(66)
Total comprehensive result for 2015-16		-	(66)	(66)
Balance at 30 June 2016		76	734	810

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(2,100)	(1,966)
Members' salaries allowances and superannuation		(4,997)	(4,790)
Payments for supplies and services		(1,704)	(1,678)
Payments for paid parental leave scheme		-	(1)
Cash used in operations		(8,801)	(8,435)
Cash inflows			
GST recovered from the ATO		147	145
Receipts for paid parental leave scheme		-	1
Other receipts		4	2
Cash generated from operations		151	148
Cash flows from SA Government			
Receipts from State Government		9,032	8,614
Cash generated from SA Government		9,032	8,614
Net cash provided by operating activities	21	382	327
Cash flows from investing activities			
Purchase of property, plant and equipment		(175)	(135)
Net cash used in investing activities		(175)	(135)
Net increase in cash and cash equivalents		207	192
Cash and cash equivalents at 1 July		1,414	1,222
Cash and cash equivalents at 30 June	9	1,621	1,414

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

1. Objective of the Legislative Council

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of twenty-two Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The Legislative Council provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Legislative Council has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Legislative Council is a not-for-profit entity.

Except for AASB 2015-7 which the Legislative Council has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Legislative Council for the reporting period ending 30 June 2016 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Legislative Council'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (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 equal to or greater than the base executive remuneration level (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.

Legislative Council

Financial Statements

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(d) Rounding

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

(e) Taxation

The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

(f) Income

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

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

Legislative Council

Financial Statements

The following are specific recognition criteria:

Revenues from SA Government

Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(g) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

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

Members' salaries and allowances

Members' salaries and allowances include all costs related to Members including salaries, committee payments, electorate allowances and office holder salaries.

Ministers' salaries, allowances and benefits are excluded from these financial statements and are paid to Ministers by other State Government agencies and included in their financial statements. Ministers' salaries and allowances have been disclosed in note 5.

Depreciation

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.

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

Land is not depreciated.

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

Class of asset	Useful life
Plant and equipment	5 - 30 years
Fixtures and fittings	5 - 10 years
Computer equipment	3 - 5 years

Legislative Council

Financial Statements

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(h) Current and non-current classification

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

(i) Assets

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

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

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 after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

Legislative Council

Financial Statements

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

Revaluation of non-current assets

All non-current tangible assets are valued at 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 3 years.

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

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.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus 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 surplus relating to that asset is transferred to retained earnings.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

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The Legislative Council classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

Non-Financial assets

In determining fair value, the Legislative Council has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Legislative Council's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Legislative Council did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The Legislative Council does not recognise any financial assets or financial liabilities at fair value.

(j) Liabilities

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

Payables

Payables include creditors, accrued expenses, GST payable 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 Legislative Council.

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.

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Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Leases

The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

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

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, SERL and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as the Legislative Council 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.

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Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Legislative Council is responsible for the payment of workers compensation claims.

(k) *Unrecognised contractual commitments and contingent assets and liabilities*

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

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

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

3. New and revised accounting standards and policies

Accounting Standards

Except for AASB 2015-7 which the Legislative Council has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Legislative Council for the period ending 30 June 2016. The Legislative Council has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Legislative Council.

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	2016 \$'000	2015 \$'000
4. Employee benefits expenses		
Salaries and wages	1,688	1,631
Employment on-costs – superannuation	363	366
Employment on-costs – other	187	140
Workers compensation	1	(1)
Total employee benefits expenses	2,239	2,136

Remuneration of employees

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

	2016 No	2015 No
\$165,001 – 175,000	1	1
\$215,001 – 225,000	-	1
\$235,001 – 245,000	1	-
Total	2	2

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees was \$406,000 (2015 \$394,000).

	2016 \$'000	2015 \$'000
5. Members' salaries and allowances		
Members' salaries and allowances	4,194	4,049
Superannuation	803	741
Total members' salaries and allowances	4,997	4,790

Members' salaries, electorate allowances and additional salaries of \$4.2 million (2015 \$4.0 million) reflected in these financial statements are paid from Appropriations provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$969,000 (2015 \$713,000) and superannuation of \$166,000 (2015 \$148,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

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	2016 \$'000	2015 \$'000
6. Supplies and services		
Publications	27	36
Printing	215	229
Information technology	71	76
Lease	56	57
Members global allowance	398	317
Security	181	147
Vehicle hire	13	15
Members travel, accommodation and related expenses	238	298
Travelling expenses	61	46
Fringe benefits tax	86	77
Stationery	13	18
Telephone	5	6
Agency staff hire	-	1
Consultants fees	76	60
Advertisements	21	16
Commonwealth Parliamentary Association	36	24
Other	98	119
Total supplies and services	1,595	1,542

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

	2016		2015	
	No	\$'000	No	\$'000
Below \$10,000	5	21	5	49
Above \$10,000	3	55	1	11
Total paid/payable to consultants engaged	8	76	6	60

	2016 \$'000	2015 \$'000
7. Depreciation and amortisation expense		
Plant and equipment	16	16
Fixtures and fittings	15	16
Computer equipment	39	70
Total depreciation and amortisation	70	102

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	2016 \$'000	2015 \$'000
8. Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	4,838	4,565
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	4,194	4,049
Total revenues from SA Government	9,032	8,614
9. Cash and cash equivalents		
Deposits with the Treasurer	1,621	1,414
Total cash and cash equivalents	1,621	1,414
Deposits with the Treasurer		
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, funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.		
10. Receivables		
Receivables	8	3
Prepayments	37	42
Other	1	-
Total current receivables	46	45

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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	2016 \$'000	2015 \$'000
11. Property, plant and equipment		
Plant and equipment		
Fair value	83	83
Less: Accumulated depreciation	(54)	(38)
Total plant and equipment	29	45
Fixtures and fittings		
Fair value	648	648
Less: Accumulated depreciation	(63)	(48)
Total fixtures and fittings	585	600
Computer equipment		
At cost (deemed fair value)	659	661
Less: Accumulated depreciation	(560)	(531)
Total computer equipment	99	130
Works of art		
Independent valuation	399	399
Total works of art	399	399
Capital works in progress		
Capital works in progress	19	52
Total capital works in progress	19	52
Total property, plant and equipment	1,131	1,226

Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desk top valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2016.

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11. Property, plant and equipment

Asset Movement Reconciliation 2015-16

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	45	600	130	399	52	1,226
Additions	-	-	8	-	167	175
Assets provided for nil consideration	-	-	-	-	(200)	(200)
Depreciation	(16)	(15)	(39)	-	-	(70)
Carrying amount at 30 June	29	585	99	399	19	1,131

Asset Movement Reconciliation 2014-15

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	61	616	200	399	-	1,276
Additions	-	-	-	-	135	135
Assets provided for nil consideration	-	-	-	-	(83)	(83)
Depreciation	(16)	(16)	(70)	-	-	(102)
Carrying amount at 30 June	45	600	130	399	52	1,226

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12. Fair value measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Legislative Council categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement as follows:

Fair value measurements at 30 June 2016

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements		
Plant and equipment (note 11)	29	29
Fixtures and fittings (note 11)	585	585
Computer equipment (note 11)	99	99
Works of art (note 11)	399	399
Total recurring fair value measurements	1,112	1,112

Fair value measurements at 30 June 2015

	Level 3	Total
	\$'000	\$'000
Recurring fair value measurements		
Plant and equipment (note 11)	45	45
Fixtures and fittings (note 11)	600	600
Computer equipment (note 11)	130	130
Works of art (note 11)	399	399
Total recurring fair value measurements	1,174	1,174

The Legislative Council's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 3 fair values are at note 11.

During 2016 and 2015, the Legislative Council had no valuations categorised into level 1 and level 2. There were no changes in valuation technique.

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	2016 \$'000	2015 \$'000
13. Payables		
Current		
Creditors	-	22
Accrued expenses	115	94
Employment on-costs	38	47
Total current payables	153	163
Expected to be settled more than twelve months after reporting date		
Employment on-costs	151	99
Total non-current payables	151	99
Total payables	304	262

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$3,000.

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 benefits 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.

14. Employee benefits

Current		
Annual leave	138	172
Long service leave	29	9
Skills and experience retention leave	30	20
Accrued salaries and wages	24	12
Total current employee benefits	221	213
Non-current		
Annual leave	251	218
Long service leave	1,208	1,112
Total non-current employee benefits	1,459	1,330
Total employee benefits	1,680	1,543

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

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AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2015 (3.00%) to 2016 (2.00%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$63,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

	2016 \$'000	2015 \$'000
15. Provisions		
Current		
Provision for workers compensation	1	1
Total current provisions	1	1
Non current		
Provision for workers compensation	3	3
Total non-current provisions	3	3
Total provisions	4	4
Provision movement		
Carrying amount at 1 July	4	6
Reduction in provisions recognised	-	2
Carrying amount at 30 June	4	4

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

	2016 \$'000	2015 \$'000
16. Equity		
Accumulated surplus	734	800
Asset revaluation surplus	76	76
Total equity	810	876

The Asset revaluation surplus is to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

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17. Unrecognised contractual commitments	2016	2015
Operating lease commitments	\$'000	\$'000
Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	50	48
Later than one year but no longer than five years	-	21
Total operating lease commitments	50	69

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

- 18. Events after the reporting period**
There have been no events after the reporting period.

- 19. Contingent assets and liabilities**
The Legislative Council is not aware of any contingent assets or liabilities.

- 20. Auditor's remuneration**
Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

	2016	2015
	\$'000	\$'000
21. Cash flow reconciliation		
Reconciliation of cash and cash equivalents at 30 June		
Cash and cash equivalents disclosed in the Statement of Financial Position	1,621	1,414
Balance as per the Statement of Cash Flows	1,621	1,414
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	382	327
Less revenues from SA Government	(9,032)	(8,614)
Add/less non-cash items		
Depreciation expense of non-current assets	(70)	(102)
Assets provided for nil consideration to the Joint Parliamentary Service	(200)	(83)
Movements in assets and liabilities		
Increase/(decrease) in receivables	1	9
(Increase)/decrease in payables	(42)	(16)
(Increase)/decrease in employee benefits	(137)	(172)
Decrease/(increase) in provisions	-	2
Net cost of providing services	(9,098)	(8,649)

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22. Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	551	505	1,688	1,631	2,239	2,136
Members' salaries and allowances	5	803	741	4,194	4,049	4,997	4,790
Supplies and services:	6						
Publications		-	-	27	36	27	36
Printing		201	216	14	13	215	229
Information technology		-	-	71	76	71	76
Lease		-	-	56	57	56	57
Members global allowance		36	36	362	281	398	317
Security		181	147	-	-	181	147
Vehicle hire		-	-	13	15	13	15
Members travel, accommodation and related expenses		-	-	238	298	238	298
Travelling expenses		-	-	61	46	61	46
Fringe benefits tax		-	-	86	77	86	77
Stationery		-	-	13	18	13	18
Telephone		-	-	5	6	5	6
Agency staff hire		-	-	-	1	-	1
Consultants fees		-	-	76	60	76	60
Advertisements		-	-	21	16	21	16
Commonwealth Parliamentary Association		-	-	36	24	36	24
Other		-	-	98	119	98	119
Depreciation	7	-	-	70	102	70	102
Assets provided for nil consideration	11	200	83	-	-	200	83
Total expenses		1,972	1,728	7,129	6,925	9,101	8,653
Income							
Other		-	-	3	4	3	4
Revenues from SA Government	8	9,032	8,614	-	-	9,032	8,614
Total Income		9,032	8,614	3	4	9,035	8,618

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	Note	SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	1,621	1,414	-	-	1,621	1,414
Receivables:	10						
Receivables		-	-	8	3	8	3
Prepayments		-	-	37	42	37	42
Other		-	-	1	-	1	-
Total financial assets		1,621	1,414	46	45	1,667	1,459
Financial liabilities							
Payables:	13						
Creditors		-	-	-	22	-	22
Accrued expenses		53	-	62	94	115	94
Employment on-costs		9	14	180	132	189	146
Total financial liabilities		62	14	242	248	304	262

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23. Financial risk management / Financial instruments

23.1 Financial risk management

Risk management is managed by the Legislative Council's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Legislative Council is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

23.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The Legislative Council does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2016	2016 Contractual maturities			
		Carrying	Current	Within 1 year	1-5 years	More than 5 years
		Amount/ Fair Value \$'000				
Financial assets						
Cash and cash equivalents						
Cash and cash equivalents	9	1,621	1,621	-	-	-
Loans and receivables						
Receivables (1) (2)	10	9	9	-	-	-
		1,630	1,630	-	-	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	13	80	80	-	-	-
		80	80	-	-	-

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Category of financial asset and financial liability		2015	2015 Contractual maturities			
		Carrying Amount/ Fair Value \$'000	Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents						
Cash and cash equivalents	9	1,414	1,414	-	-	-
Loans and receivables						
Receivables (1) (2)	10	3	3	-	-	-
		1,417	1,417	-	-	-
Financial liabilities						
Financial liabilities at cost						
Payables (1)	13	99	99	-	-	-
		99	99	-	-	-

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

23.3 Liquidity risk

Liquidity risk arises from the possibility where the Legislative Council is unable to meet its financial obligations as they are due. The Legislative Council is funded from appropriation by the SA Government. The Legislative Council works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Legislative Council 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 Legislative Council's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

23.4 Credit risk

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

The Legislative Council has minimal concentration of credit risk. The Legislative Council has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Legislative Council does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Legislative Council.

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23.5 Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

The Legislative Council does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The Legislative Council does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Sensitivity disclosure analysis

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

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Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Legislative Council:

- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Legislative Council; and
- presents a true and fair view of the financial position of the Legislative Council as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Legislative Council for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Clerk
Legislative Council

29 / 8 / 2016



Chief Finance Officer
Joint Parliamentary Service

29 / 8 / 2016



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www.audit.sa.gov.au

To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987* I have audited the accompanying financial report of the Legislative Council for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Clerk, Legislative Council and the Chief Finance Officer, Joint Parliamentary Service.

The Clerk of the Legislative Council's responsibility for the financial report

The Clerk of the Legislative Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Clerk of the Legislative Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

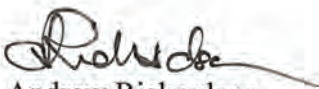
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Clerk of the Legislative Council, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Parliament website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

31 August 2016

**Libraries Board
of South Australia**

**Financial report
for the year ended
30 June 2016**

Libraries Board of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Staff benefits	4	13 134	13 038
Supplies and services	6	8 181	7 614
Accommodation and facilities	7	2 518	2 572
Depreciation and amortisation	8	2 120	2 054
Subsidies to public libraries	9	11 204	11 138
Total expenses		37 157	36 416
Income			
Fees and charges	11	277	347
Bequests and donations		440	206
Council contributions		175	136
Rent and facilities hire	12	278	302
Resources received free of charge	13	412	379
Investment income	14	613	671
Net gain from the disposal of non-current assets	10	64	5
Recoveries	15	252	206
Other	16	258	131
Total income		2 769	2 383
Net cost of providing services		34 388	34 033
Revenues SA Government			
Recurrent operating grant		33 147	32 768
Capital grant		-	1 083
Total revenues from SA Government		33 147	33 851
Net result		(1 241)	(182)
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in asset revaluation surplus	21	29 160	-
Total other comprehensive income		29 160	-
Total comprehensive profit / (loss)		27 919	(182)

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes

Libraries Board of South Australia
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	17	5 324	6 314
Receivables	18	1 334	916
Total current assets		6 658	7 230
Non-current assets			
Receivables	18	11	1
Property, plant and equipment	19	63 161	64 863
Intangible assets	20	188	5
Research and heritage collections	21	141 675	111 831
Investments	22	8 311	8 015
Total non-current assets		213 346	184 715
Total assets		220 004	191 945
Current liabilities			
Payables	23	894	1 096
Staff benefits	24	1 410	1 384
Provisions	25	17	9
Other	26	-	40
Total current liabilities		2 321	2 529
Non-current liabilities			
Payables	23	263	228
Staff benefits	24	2 851	2 545
Provisions	25	32	25
Other	26	10	10
Total non-current liabilities		3 156	2 808
Total liabilities		5 477	5 337
Net assets		214 527	186 608
Equity			
Retained earnings		87 389	88 630
Asset revaluation surplus		127 138	97 978
Total equity		214 527	186 608

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	27
Contingent assets and liabilities	28

The above statement should be read in conjunction with the accompanying notes

Libraries Board of South Australia
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2014		97 978	88 812	186,790
Net result for 2014-15		-	(182)	(182)
Total comprehensive result for 2014-15		-	(182)	(182)
Balance at 30 June 2015		97 978	88 630	186 608
Net result for 2015-16		-	(1 241)	(1 241)
Gain on revaluation of research and heritage collections		29 160	-	29 160
Total comprehensive result for 2015-16		29 160	(1 241)	27 919
Balance at 30 June 2016		127 138	87 389	214 527

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

The above statement should be read in conjunction with the accompanying notes

Libraries Board of South Australia
Statement of Cash Flows
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash outflows			
Staff benefits		(12 751)	(12 952)
Supplies and services		(8 421)	(7 235)
Accommodation and facilities		(2 518)	(2 504)
Subsidies to public libraries		(11 204)	(11 137)
Cash provided by (used in) operations		(34 894)	(33 828)
Cash inflows			
Fees and charges		277	326
Bequests and donations		396	178
Council contributions		175	136
Rent and facilities hire		290	274
Investment income		622	660
Recoveries		252	152
Other		218	206
Cash generated from operations		2 230	1 932
Cash flows from SA government			
Recurrent operating grant		33 147	32 768
Capital grant		-	1 083
Cash generated from SA government		33 147	33 851
Net cash provided by operating activities		483	1 955
Cash flows from investing activities			
Cash outflows			
Purchase of heritage collections		(640)	(353)
Purchase of investments		(409)	(200)
Purchase of property, plant and equipment		(601)	(1 450)
Purchase of land and buildings		-	(54)
Cash used in investing activities		(1 650)	(2 057)
Cash inflows			
Proceeds from the sale of / maturity of investments		174	5
Proceeds from sale of property, plant and equipment		3	-
Cash generated from investing activities		177	5
Net cash used in investing activities		(1 473)	(2 052)
Net increase/(decrease) in cash and cash equivalents		(990)	(97)
Cash and cash equivalents at the beginning of the period		6 314	6 411
Cash and cash equivalents at 30 June		5 324	6 314

The above statement should be read in conjunction with the accompanying notes

Libraries Board of South Australia
Disaggregated Disclosures
for the year ended 30 June 2016

	Provision of State Library Services		Support of Public Library Services		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Staff benefits	10 879	10 712	2 255	2 326	-	-	13 134	13 038
Supplies and services	3 355	3 269	5 023	4 345	(197)	-	8 181	7 614
Accommodation and facilities	2 500	2 564	18	8	-	-	2 518	2 572
Depreciation and amortisation	2 074	2 013	46	41	-	-	2 120	2 054
Subsidies to public libraries	-	-	11 204	11 138	-	-	11 204	11 138
Total expenses	18 808	18 558	18 546	17 858	(197)	-	37 157	36 416
Income								
Fees and charges	278	347	(1)	-	-	-	277	347
Bequests and donations	440	206	-	-	-	-	440	206
Council contributions	-	-	175	136	-	-	175	136
Rent and facilities hire	278	302	-	-	-	-	278	302
Resources received free of charge	358	335	54	44	-	-	412	379
Investment income	525	569	88	102	-	-	613	671
Net gain from the disposal of non-current assets	64	5	-	-	-	-	64	5
Recoveries	91	130	161	76	-	-	252	206
Other	365	111	90	20	(197)	-	258	131
Total income	2 399	2 005	567	378	(197)	-	2 769	2 383
Net cost of providing services	16 409	16 553	17 979	17 480	-	-	34 388	34 033
Revenues from (payments to) SA Government								
Recurrent operating grant	14 797	14 703	18 350	18 065	-	-	33 147	32 768
Capital grant	-	1 083	-	-	-	-	-	1 083
Total revenues from SA Government	14 797	15 786	18 350	18 065	-	-	33 147	33 851
Net result	(1 612)	(767)	371	585	-	-	(1 241)	(182)
Assets								
Assets	215 594	187 935	4 410	4 010	-	-	220 004	191 945
Total assets	215 594	187 935	4 410	4 010	-	-	220 004	191 945
Liabilities								
Liabilities	4 374	4 262	1 103	1 075	-	-	5 477	5 337
Total liabilities	4 374	4 262	1 103	1 075	-	-	5 477	5 337

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

1 Objectives of the Libraries Board of South Australia

The Libraries Board of South Australia (the Board) is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia and the Public Library Services under the Act.

The functions of the Board as prescribed under the Act are as follows:

- Formulate policies and guidelines for the provision of public library services;
- Establish, maintain and expand collections of library materials;
- Administer the State Library; and
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

2 Summary of significant accounting policies

(a) Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

Except for AASB 2015-7 which the Board has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2016. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board (refer note 2(w)).

(b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- The selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- Compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following Note disclosures, which have been included in the financial statements:
 - a) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
 - b) staff targeted voluntary separation package information;
 - c) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff; and

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and comparative information presented for the year ended 30 June 2015.

(c) Source of Funds

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

(d) Income and Expenses

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

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend income is recognised when the right to receive a dividend has been established. Donations, bequests, grants and sponsorships are recognised as income in the period in which the Board obtains control over the income. Government grants and Council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

Subsidies to Public Libraries

Public Library Services receives contributions from Councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under Subsidies to Public Libraries in the Statement of Comprehensive Income. The total amount received from councils for the year was \$175,000 (\$136 000).

Resources received free of charge

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

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 13) and a corresponding amount included as preservation work expenditure in supplies and services (note 6).

Under an arrangement with the Department of State Development, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 13) and a corresponding amount included as a business services charge in supplies and services (note 6).

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

(e) Current and non-current classification

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

(f) Cash

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

For the purposes of the Statement of Cash Flows, cash is defined as above.

Cash is measured at nominal value.

Trust Accounts

Public Library Services hold subsidy payments in trust for the Outback Communities Authority and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are controlled by the Board and are recorded in the cash balance as at 30 June 2016. The total of these trust accounts is \$143,000 (\$107 000).

(g) Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

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

(h) Investments

Investments are brought to account at cost in accordance with Accounting Policy Framework IV Financial Asset and Liability Framework APS 2.1.

(i) Non-current asset acquisition and recognition

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

All non-current assets with a value of \$10,000 or greater are capitalised.

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

(j) Valuation of non-current assets

Revaluation of non-current assets

All non-current assets are valued at fair value and a 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.

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

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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

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

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land and buildings

An independent valuation of the land and buildings was conducted as at 30 June 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The valuer used depreciated replacement cost (DRC) for buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

The valuation of land was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land being valued such as size, location and current use.

Plant and equipment

All items of plant and equipment including computer equipment and compactus and shelving on acquisition, had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

Public Library Services collections

The film collection is valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

Research and heritage collections

The research and heritage collection valuations are independently revalued every five years. The collections were valued as at 30 June 2016 by Mr. P Tinslay, NCJV Registered Valuer, of Aon Risk Solutions (Fine Arts Division).

This valuer specialises in the valuation of heritage assets. This valuation has been carried out in accordance with the principles determined by the International Valuation Standards Committee. These international standards have been followed except where they are altered by Australian Law or by local standards as laid out by the Australian Property Institute.

The market approach has been utilised to determine fair value. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach considers the prices of identical or similar assets that are listed or offered for sale and may necessitate adjusting the price information from other transactions to reflect any differences in the terms of the actual transaction and the basis of value and any assumptions adopted in the valuation being undertaken, as well as differences in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

In instances where there were sufficient observable transactions of similar assets to the subject asset (generally in second hand markets) level 1 Inputs have been used. Where inputs to the fair value measurement are considered level 2 in the fair value hierarchy they have been observed from the market and the valuer has made relatively minor adjustments for differences in asset characteristics.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Collections which have been valued are: rare and special collections, private records and artworks; the general collections - reference monographs, children's literature, maps, serials, newspapers, parliamentary publications, Australian Bureau of Statistics, electoral Rolls, patents and named collections; published heritage collections - monographs, newspapers, serials, ephemera, audio visual, maps; archival collections - manuscript items, photographic collections, record group and oral history.

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 Board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Fair value measurement - Non-financial assets

In determining fair value, the Board has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

(k) Impairment of assets

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

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

There were no indications of impairment of property, plant and equipment and intangibles as at 30 June 2016.

(l) 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. Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Land and heritage collections are not depreciated. Depreciation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:-

Class of asset	Useful life (years)
Property, plant and equipment:	
Buildings and improvements	20-100
Plant and Equipment	5 - 20
Computer Equipment	3 - 10
Compactus and lifts	30
Intangibles	5 -10

The research and heritage collections are kept under special conditions to minimise deterioration and are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

(m) Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

(n) Staff benefits

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

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

Salaries, wages, annual leave and skills and experience retention leave

Liabilities for salaries, wages, annual leave and skills and experience retention leave have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

On-costs

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

Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The Department of Treasury and Finance centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of government financial statements.

(o) Workers compensation provision

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation.

(p) Leases

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

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

(q) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific Accounting Standards and/or Accounting Policy Statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable to do so.

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

(r) Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts South Australia (Arts SA), a division of the Department of State Development, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

(s) State Government funding

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

(t) Rounding

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

(u) Insurance

The Board has arranged, through SAICORP, a division of the SA Government Financing Authority, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

(v) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

(w) New and revised Accounting Standards

The Board did not voluntarily change any of its accounting policies during 2015-16. Except for AASB 2015-7 which the Board has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2016. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board other than as outlined below.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

AASB 16 Leases will apply for the first time to the 30 June 2020 financial report. This standard will require the Board to recognise all leased items in the statement of financial position as assets representing the value of items leased and as liabilities representing the expected future lease payments.

(x) Events after the reporting period

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

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

3 Activities of the Libraries Board

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2016 is summarised below (refer to the Disaggregated Disclosures Schedules - Expenses and Income and Assets and Liabilities).

Activity 1 - Provision of State Library Services

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

Activity 2 - Support of Public Library Services

To provide through Public Library Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

4 Staff benefits

	2016	2015
	\$'000	\$'000
Salaries and wages	9 326	9 269
Annual leave	923	902
Board fees	43	40
Long service leave	593	687
Payroll tax	620	622
Skills and experience retention leave	98	75
Superannuation	1 299	1 224
Targeted voluntary separation payments (refer below)	22	200
Workers compensation provision adjustment	15	(144)
Other staff related expenses	195	163
Total employee benefits expenses	13 134	13 038

Remuneration of staff

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

Remuneration of employees

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

	2016	2015
	Number	Number
\$155 001 to \$165 000	1	1
\$175 001 to \$185 000	-	1
\$185 001 to \$195 000	1	-
\$225 001 to \$235 000	-	1
\$235 001 to \$245 000	1	-
Total	3	3

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and salary sacrifice benefits. The total remuneration received by these staff members for the year was \$589 000 (\$570 000).

Targeted voluntary separation packages (TVSP's)

	2016	2015
	\$'000	\$'000
Amounts paid during the reporting period to separated staff:		
TVSPs	22	200
Annual leave, LSL and skills and experience retention leave paid to those staff	17	22
	39	222
Recovery from the Department of Treasury and Finance	-	(198)
Net cost to the Libraries Board	39	24
Number of employees who received a TVSP during the reporting period	1	2

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

5 Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2015-16 financial year were:

Libraries Board

Mr J Bruce (Chairman)

Ms V Ciccarello (term expired 1 April 2016, reappointed 16 June 2016)

Ms J Finlay (appointed 19 November 2015)

Mr SG Hicks

Mr A Luckhurst-Smith (term expired 1 April 2016, reappointed 16 June 2016)

Ms H Nichols (appointed 9 July 2015)

Ms L Spurling (term expired 1 April 2016, reappointed 16 June 2016)

Ms J Wisdom (appointed 9 July 2015)

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

	2016	2015
	Number of	Number of
	members	members
\$0 - \$9 999	8	8
Total number of board members	8	8

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. Total remuneration received or receivable by members was \$47 000 (\$43 000).

Amounts paid or payable to a superannuation plan for board/committee members were \$3,000 (\$3 000).

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

6 Supplies and services

	2016	2015
	\$'000	\$'000
Business services charge	305	269
Cataloguing and end processing	878	460
Communications	941	925
Consultants' fees	192	129
Contractors	149	123
Electronic resources	377	536
Freight, courier, postage	1 543	1,364
Information technology	1 364	1,337
Insurance & risk management	234	206
Maintenance	151	173
Marketing and promotion	240	202
Minor equipment purchases and leasing	185	323
Operating lease expenditure	-	1
Preservation activities	167	242
Travel and accommodation	139	115
Other	1 316	1,209
Total supplies and services	8 181	7 614

No penalty amounts were paid to small businesses for 2016 and 2015 as required by the *Late Payment of Government Debts (Interest) Act 2013*.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Payments to Consultants

The number and dollar amount of consultancies paid/payable fell within the following bands:

	2016	2015	2016	2015
	Number	Number	\$'000	\$'000
Below \$10 000	5	1	12	7
Above \$10 000	4	2	180	122
Total paid/payable to consultants engaged	9	3	192	129

7 Accommodation and facilities

	2016	2015
	\$'000	\$'000
Accommodation	1 175	1 249
Facilities	852	843
Security	491	480
Total accommodation and facilities	2 518	2 572

8 Depreciation and amortisation

	2016	2015
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 810	1,790
Compactus and lifts	79	78
Computer equipment	110	96
Intangibles	26	6
Plant and equipment	95	84
Total depreciation and amortisation	2 120	2 054

9 Subsidies to Public Libraries

	2016	2015
	\$'000	\$'000
Library materials local purchase contribution	726	676
Library materials contribution	5 606	5 618
Operating contribution	4 821	4 793
Community information contribution	31	31
Community information access	20	20
Total subsidies to Public Libraries	11 204	11 138

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

10 Net gain from the disposal of non-current assets

	2016	2015
	\$'000	\$'000
Investments		
Proceeds from the sale of investments	174	5
Less: Net book value of investments	(113)	-
Net gain from the disposal of investments	61	5
Property, plant and equipment		
Proceeds from the sale of property, plant and equipment	3	-
Less: Net book value of property, plant and equipment	-	-
Net gain from the disposal of property, plant and equipment	3	-
Total assets		
Proceeds from disposal	177	5
Less: Net book value of assets disposed	(113)	-
Net gain from the disposal of non-current assets	64	5

11 Fees and charges

	2016	2015
	\$'000	\$'000
Fees for services	22	23
Lecturing services	146	179
Photocopying services	47	52
Other fees and charges	62	93
Total revenues from fees and charges	277	347

12 Rent and facilities hire

	2016	2015
	\$'000	\$'000
Facilities hire	64	74
Rental income	214	228
Total rent and facilities hire	278	302

13 Resources received free of charge

	2016	2015
	\$'000	\$'000
Conservation services	107	110
Business services	305	269
Total resources received free of charge	412	379

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

14 Investment income

	2016	2015
	\$'000	\$'000
Interest income	258	322
Dividends	192	177
Distributions	72	73
Dividend imputation credits	91	99
Total investment income	613	671

15 Recoveries Revenue

	2016	2015
	\$'000	\$'000
Recoveries	252	206
Total recoveries	252	206

16 Other income

	2016	2015
	\$'000	\$'000
Salary recoups	9	23
Other receipts	249	108
Total other income	258	131

17 Cash

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	5 316	6 206
Cash on hand	8	108
Total cash and cash equivalents	5 324	6 314

Deposits with Treasurer

Deposits with the Treasurer are funds held in the "Libraries Board of South Australia Account", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*.

Cash on hand

Cash on hand includes petty cash, cheques held on-site and not banked, floats, change machines and an advance account.

Interest rate risk

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a section 21 interest bearing account titled the "*Libraries Board of South Australia Account*".

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

18 Receivables

	2016	2015
	\$'000	\$'000
Current		
Prepayments	931	496
Receivables	254	262
Accrued income	149	158
Total current receivables	1 334	916
Non-current		
Prepayments	10	-
Receivables	1	1
Total non-current receivables	11	1
Total receivables	1 345	917

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued income are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

19 Property, plant and equipment

	2016	2015
	\$'000	\$'000
Land, buildings and improvements		
Land at valuation	4 530	4 530
Buildings and improvements at valuation	115 506	115 390
Accumulated depreciation	(59 489)	(57 679)
Total land, buildings and improvements	60 547	62 241
Work in progress		
Work in progress at cost	6	256
Total work in progress	6	256
Compactus and lifts		
Compactus and lifts at cost (deemed fair value)	2 449	2 444
Accumulated depreciation	(1 007)	(928)
Total compactus and lifts	1 442	1 516
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2 047	1 692
Accumulated depreciation	(1 200)	(1 132)
Total plant and equipment	847	560
Computer equipment		
Computer equipment at cost (deemed fair value)	878	844
Accumulated depreciation	(559)	(554)
Total computer equipment	319	290
Total property, plant and equipment	63 161	64 863

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Reconciliation of carrying amounts of property plant and equipment

	Land	Buildings and improv.	Work in progress	Compactus and lifts	Plant and equip.	Computer equip.	Total tangible assets	Computer Software	Total intangible assets
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	4 530	57 711	256	1 516	560	290	64 863	5	5
Additions	-	-	426	5	59	111	601	-	-
Depreciation expense	-	(1 810)	-	(79)	(95)	(110)	(2 094)	(26)	(26)
Transfers to/(from) capital works in progress	-	116	(676)	-	323	28	(209)	209	209
Net revaluation (decrement)/increment	-	-	-	-	-	-	-	-	-
Carrying amount at the end of period	4 530	56 017	6	1 442	847	319	63 161	188	188

20 Intangible Assets

	2016 \$'000	2015 \$'000
Intangibles		
Computer software	253	44
Less accumulated amortisation	(65)	(39)
Total intangibles	188	5

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

21 Research and heritage collections

	2016			2015		
	At valuation \$'000	At cost \$'000	Total \$'000	At valuation \$'000	At cost \$'000	Total \$'000
Family history collection	145	-	145	-	4	4
Maps	6 362	-	6 362	760	23	783
Microfilm serials	57	-	57	1 584	134	1 718
Monographs	39 510	-	39 510	14 258	273	14 531
Mortlock audio-visual	894	-	894	2 135	45	2 180
Mortlock use collections	10 315	-	10 315	2 141	98	2 239
Newspapers purchased	6 568	-	6 568	281	279	560
Periodicals	12 606	-	12 606	2 995	492	3 487
Private archives	35 868	-	35 868	65 301	238	65 539
Purchased databases	16	-	16	-	134	134
Rare books and named collections	29 334	-	29 334	20 529	127	20 656
Total research and heritage collections	141 675	-	141 675	109 984	1 847	111 831

Reconciliation of carrying amounts of research and heritage collections

	2016			2015		
	Balance 1 July \$'000	Additions \$'000	Revaluations \$'000	Balance 30 June \$'000	Balance 1 July \$'000	Additions \$'000
Family history collection	4	-	141	145	3	1
Maps	783	2	5 577	6 362	773	10
Microfilm serials	1 718	41	(1 702)	57	1 680	38
Monographs	14 531	15	24 964	39 510	14 501	30
Mortlock audio-visual	2 180	4	(1 290)	894	2 171	9
Mortlock use collections	2 239	26	8 050	10 315	2 214	25
Newspapers purchased	560	60	5 948	6 568	483	77
Periodicals	3 487	116	9 003	12 606	3 372	115
Private archives	65 539	409	(30 080)	35 868	65 523	16
Purchased databases	134	-	(118)	16	110	24
Rare books and named collections	20 656	11	8 667	29 334	20 592	64
Total research and heritage collections	111 831	684	29 160	141 675	111 422	409

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

22 Investments

	2016	2015
	\$'000	\$'000
Non-current		
Shares and other direct investments in companies	8 311	8 015
Total investments	8 311	8 015

The market value of investments as at 30 June 2016 is \$9.2 million (2015: \$9.1 million).

23 Payables

	2016	2015
	\$'000	\$'000
Current		
Creditors and accruals	702	911
Staff on-costs	192	185
Total current payables	894	1 096
Non-current		
Staff on-costs	263	228
Total non-current payables	263	228
Total payables	1 157	1 324

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has increased from the 2015 rate of 37% to 40%. The average factor for the calculation of employer superannuation cost on-cost has also increased from the 2015 rate of 10.3% to 10.2%. These rates are used in the staff on-cost calculation.

The financial effect of this change on staff on-costs and staff benefits expense is immaterial.

Interest rate and credit risk

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

24 Staff benefits

	2016	2015
	\$'000	\$'000
Current		
Annual leave	632	653
Long service leave	502	539
Skills and experience retention leave	127	122
Accrued salaries and wages	149	70
Total current staff benefits	1 410	1 384
Non-current		
Long service leave	2 851	2 545
Total non-current staff benefits	2 851	2 545
Total staff benefits	4 261	3 929

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2015 (3.0%) to 2016 (2.0%).

The decrease in the bond yield which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$207,000 and employee benefits expense of \$207,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

The salary inflation rate remained unchanged at 4.0% for long service leave. The salary inflation rate applied to annual leave and skills and experience retention leave also remained unchanged at 3.0%. The resulting financial effect of the change is nil.

25 Provisions

	2016 \$'000	2015 \$'000
Current		
Provision for workers compensation	17	9
Total current provisions	17	9
Non-current		
Provision for workers compensation	32	25
Total non-current provisions	32	25
Total provisions	49	34
Provision movement		
Carrying amount at the beginning of the period	34	178
Increase / (decrease) in provision recognised	15	(144)
Carrying amount at the end of the period	49	34

26 Other liabilities

	2016 \$'000	2015 \$'000
Current		
Revenue received in advance	-	40
Total current other liabilities	-	40
Non-current		
Contractual security deposit	10	10
Total non-current other liabilities	10	10
Total other liabilities	10	50

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

27 Unrecognised 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:

	2016	2015
	\$'000	\$'000
Within one year	25	37
Later than one year but not longer than five years	-	28
Total operating lease commitments	25	65

The operating lease commitments comprise:

- non-cancellable motor vehicle leases, with rentals payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Public libraries commitments

Committed orders placed by public libraries through PLS for libraries materials at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2016	2015
	\$'000	\$'000
Within one year	1 129	1 173
Total public libraries commitments	1 129	1 173

Other commitments

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

	2016	2015
	\$'000	\$'000
Within one year	2 058	2 642
Later than one year but not longer than five years	280	1 018
Total other commitments	2 338	3 660

28 Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2016.

Libraries Board of South Australia
Notes to and forming part of the financial statements
For the year ended 30 June 2016

29 Financial instruments / financial risk management

29.1 Financial risk management

Risk management is managed by the Board's corporate services section and Board risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Board's exposure to financial risk (liquidity, credit and market) is insignificant based on past experience and current assessment of risk.

The Board is funded principally from grants from Arts SA a division of the Department for State Development. The Board works with Arts SA and the Department of Treasury & Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

There have been no changes in risk exposure since the last reporting period.

29.2 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.

The carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost and fair value are detailed below.

Category of financial asset and financial liability	Statement of Financial Position	Note	2016		2015	
			Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets						
Cash and cash equivalents	Cash	17	5 324	5 324	6 314	6 314
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	18	403	403	421	421
Available for sale financial assets	Investments	22	8 311	9 232	8 015	9 104
Financial liabilities						
Financial liabilities (at cost)	Payables ⁽¹⁾	23	652	652	864	864
Other	Other	26	10	10	50	50

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit 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).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

30 Events after the reporting period

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

Libraries Board of South Australia
Certification of Financial Statements
for the year ended 30 June 2016

We certify that the attached general purpose financial statements of the Libraries Board of South Australia:

- are in accordance with the accounts and records of the Libraries Board of South Australia;
- comply with relevant Treasurer's Instructions issued under section 41 of the Public Finance and Audit Act 1987 and relevant Australian Accounting Standards; and
- present a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2016 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Libraries Board of South Australia over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.



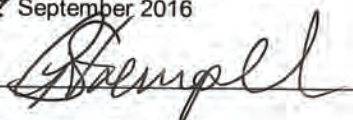
James Bruce
Chairman
Libraries Board of South Australia
7 September 2016



George Schlauzero
Finance and Directorate Manager
State Library of South Australia
7 September 2016



Alan Smith
Director
State Library of South Australia
7 September 2016



Geoff Stempel
Associate Director
Public Library Services
7 September 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Chairman Libraries Board of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19(3) of the *Libraries Act 1982*, I have audited the accompanying financial report of the Libraries Board of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2016
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Libraries Board of South Australia, the Director, State Library of South Australia, the Finance and Directorate Manager, State Library of South Australia and the Associate Director, Public Library Services.

The Members of the Libraries Board of South Australia's Responsibility for the Financial Report

The members of the Libraries Board of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Libraries Board of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

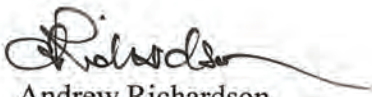
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by members of the Libraries Board of South Australia, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on Libraries Board of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

13 September 2016

Lifetime Support Authority of South Australia

Financial report
for the year ended
30 June 2016

Lifetime Support Authority of South Australia
Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Participant treatment, care and support expenses	4	117 822	95 073
Duty on LSS Fund levy		14 377	13 956
Reinsurance		3 390	2 598
Employee benefits expenses	5	2 562	2 155
Service delivery and corporate expenses	7	1 540	1 358
Research, education and programs		595	-
Amortisation expense	9	122	49
Other expenses		55	-
Total expenses		140 463	115 189
Income			
Revenues from LSS Fund levy		145 080	141 078
Investment revenues	10	9 542	5 488
Other revenues	11	866	-
Total income		155 488	146 566
Net result from operating activities		15 025	31 377
Net result		15 025	31 377
Total comprehensive result		15 025	31 377

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

Lifetime Support Authority of South Australia
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	12	937	2 457
Receivables	13	2 163	1 678
Total current assets		3 100	4 135
Non-current assets			
Receivables	13	809	-
Financial assets at fair value	14	292 943	165 435
Property, plant and equipment	15	24	98
Intangible assets	16	363	311
Total non-current assets		294 139	165 844
Total assets		297 239	169 979
Current liabilities			
Payables	18	3 738	1 904
Employee benefits	19	227	219
Provisions	20	8 559	7 239
Total current liabilities		12 524	9 362
Non-current liabilities			
Payables	18	29	12
Employee benefits	19	317	133
Provisions	20	194 418	85 546
Total non-current liabilities		194 764	85 691
Total liabilities		207 288	95 053
Net assets		89 951	74 926
Equity			
Retained earnings		89 951	74 926
Total equity		89 951	74 926

The total equity is attributable to the SA Government as owner.

	Note
Unrecognised contractual commitments	21
Contingent assets and liabilities	22

The above statement should be read in conjunction with the accompanying notes.

Lifetime Support Authority of South Australia
Statement of Changes in Equity
for the year ended 30 June 2016

	Note	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2014		43 549	43 549
Net result for 2014-15		31 377	31 377
Total comprehensive result for 2014-15		31,377	31,377
Balance at 30 June 2015		74,926	74,926
Net result for 2015-16		15 025	15 025
Total comprehensive result for 2015-16		15 025	15 025
Balance at 30 June 2016		89 951	89 951

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

The above statement should be read in conjunction with the accompanying notes.

Lifetime Support Authority of South Australia
Statement of Cash Flows
for the year ended 30 June 2016

		2016	2015
		\$'000	\$'000
Cash flows from operating activities	Note		
Cash outflows			
Participant treatment, care and support expenses		(5 384)	(1 941)
Duty on LSS Fund levy		(14 360)	(13 006)
Reinsurance		(3 547)	(2 597)
Employee benefits expenses		(2 354)	(1 706)
Service delivery and corporate expenses		(2 034)	(1 782)
Research education and programs		(595)	-
Payments for Paid Parental Leave Scheme		(6)	-
Cash (used in) operations		(28 280)	(21 032)
Cash inflows			
LSS Fund levy		144 813	140 928
Interest received		37	53
Other revenues		2	-
Receipts for Paid Parental Leave Scheme		8	-
Cash generated from operations		144 860	140 981
Net cash provided by operating activities	23	116 580	119 949
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(147)
Purchase of intangibles		(100)	(273)
Purchase of investments		(118 000)	(160 000)
Net cash (used in) investing activities		(118 100)	(160 420)
Net (decrease) in cash and cash equivalents		(1 520)	(40 471)
Cash and cash equivalents at the beginning of the period		2 457	42 928
Cash and cash equivalents at the end of the period	12	937	2 457

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

1 Objectives of the Lifetime Support Authority of South Australia

The Lifetime Support Authority of South Australia (LSA) is a not-for-profit Statutory Authority of the South Australian Government. The LSA was established on 1 July 2013 under section 7 of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* (the Act).

The Board is the governing body of the LSA, and was appointed by the Governor effective from 8 October 2013.

The LSA is responsible for the administration of the Lifetime Support Scheme (LSS), which commenced on 1 July 2014.

The LSS provides necessary and reasonable treatment, care and support for people who suffer very serious injuries in motor vehicle accidents in South Australia, regardless of fault. People who sustain injuries that cause paraplegia or quadriplegia, brain injury, whole limb or multiple amputations, major burns or blindness qualify for support. The LSS is funded by the LSS Fund levy paid on motor vehicle registrations. The LSS is governed by the LSS Rules, which are made by the Governor on the recommendation of the LSA.

The functions of the LSA under the Act are to:

- Monitor the operation of the LSS.
- Provide advice to the Minister about the administration, efficiency and effectiveness of the LSS.
- Provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS.
- Disseminate information about the LSS.
- Keep the LSS Rules under review.
- Be responsible for the LSS Fund.

2 Summary of significant accounting policies

2.1 Statement of compliance

The LSA has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The LSA has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the LSA is a not-for-profit entity.

Except for AASB 2015-7 which the LSA has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the LSA for the period ending 30 June 2016. Refer to Note 3.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the LSA'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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - (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) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement; and
 - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016.

2.3 Reporting entity

The LSA is a not-for-profit Statutory Authority of the South Australian Government. The LSA does not control any other entity and has no interest in unconsolidated structured entities.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or Accounting Policy Statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

2.5 Rounding

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

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.6 Taxation

The LSA is liable for payroll tax, fringe benefits tax and goods and services tax (GST). A nil tax rate is currently approved by the Treasurer for the calculation of income tax equivalent payments to the South Australian Government, consistent with the establishment of LSS Fund levy to be on a break-even basis.

The Department of Treasury and Finance (DTF) prepares the Business Activity Statement on behalf of the LSA under the grouping provisions of the GST legislation. Under these provisions, DTF is liable for the payments and entitled to the receipt of GST. As such, GST applicable to the LSA forms part of the financial statements of DTF.

2.7 Expenses

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

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

The following are specific recognition criteria:

Participant treatment, care and support expenses

People very seriously injured in motor vehicle accidents from 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant treatment, care and support expenses relate to the necessary and reasonable benefits provided to participants, related to the motor vehicle injury and in line with criteria detailed in the LSS Rules, from date of acceptance into the LSS. Costs are recognised in the reporting period in which they are incurred, via the movement in the provision for Participant treatment, care and support or when the service has been provided.

Duty on LSS Fund levy

The Duty on LSS Fund levy is a duty payable to the South Australian Government equivalent to 11% of net LSS Fund levies collected by the LSA. The duty is payable on the levies collected monthly in arrears. Refer to Note 2.8 for further details of the LSS Fund levy.

Reinsurance

LSA had in place reinsurance programs throughout 2015-16 to limit the LSA's liability exposure for Participant treatment, care and support expenses according to the deductible and terms of the treaties. All panel reinsurers are contractually required to have a minimum security Standard and Poor's rating of "A-", which is monitored by the LSA's reinsurance broker. Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance received. Accordingly, a portion of reinsurance is treated at balance date as a prepayment.

Employee benefits expenses

Employee benefits expenses include all costs related to employment under the LSA's legislative responsibilities and under agreement with DTF including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the LSA to the superannuation plan in respect of current services of current LSA staff and assigned DTF staff. DTF centrally recognises the superannuation liability in the whole of government financial statements.

Service delivery and corporate expenses

Service delivery and corporate expenses generally represent day-to-day running costs incurred in the normal operations of the LSA. These items are recognised as an expense in the reporting period in which they are incurred.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.7 Expenses (continued)

Research, Education and Programs

The LSA provides support and funding for research and education in connection with services provided to participants in the LSS pursuant to section 16(c) of the Act.

Depreciation and amortisation

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

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

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

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

Class of asset	Useful Life (Years)
Leasehold Improvements	Term of Lease
Internally Developed Software	5 Years

2.8 Income

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

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

The following are specific recognition criteria:

Revenues from LSS Fund levy

Revenue from LSS Fund levy is the LSS Fund levy collected by the LSA.

Pursuant to section 44 of the Act, the LSS is funded by a levy applied to motor vehicle registration under the *Motor Vehicles Act 1959*. The levy is collected by the Registrar of Motor Vehicles on behalf of the LSA, and recognised as revenue by the LSA when it is received by the Registrar. The levy is exempt from GST under the operation of Division 81 of *A New Tax System (Goods and Services Tax) Act 1999*.

Investment revenues

Interest income

Interest income includes interest received on deposits held with the Treasurer. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as investment revenue in the Statement of Comprehensive Income.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.9 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current. Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the LSA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

2.10 Assets

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and deposits at call that are readily converted to cash and which are subject to insignificant risk of change in value.

Cash is measured at nominal value.

The LSA's physical cash balance is held within the Department of Treasury and Finance Operating Bank Account. The LSA's cash balance is managed in accordance with Treasurer's Instruction 6 *Deposit Accounts and Banking*.

Receivables

Receivables include accrued revenue related to the LSS Levy, prepayments and reinsurance recoveries.

The LSS Fund levy is received by the LSA two days in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June but not yet received by the LSA.

Reinsurance recoveries are assessed on at least an annual basis. A receivable is recorded where the estimated participant treatment, care and support costs exceed the deductible in line with the terms of the relevant insurance contract(s) and is measured as the present value of the expected future cash flows.

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

Financial assets at fair value

The LSA's financial assets consist of investments in unlisted unit trusts managed by Funds SA, the South Australian Government owned corporation which invests and manages funds of approved authorities. The LSA invests in Funds SA's untaxed multi-sector funds.

Recognition and Derecognition

Financial assets are recognised initially at fair value. All purchases and sales of financial assets are recognised on the trade date, i.e. the date that the LSA commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or has been transferred.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.10 Assets (continued)

Subsequent Measurement

Financial assets are subsequently recognised at fair value through profit or loss. Gains or losses on financial assets are recognised in the Statement of Comprehensive Income as Investment revenues (or Investment losses) and the related assets are recognised as Non-current assets in the Statement of Financial Position.

Financial assets are designated on the basis that they are a group of financial assets which are managed and have their performance evaluated on a fair value basis, and are valued at the fair value as reported by Funds SA. Refer also to the section *Fair value measurement* below.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation/amortisation and accumulated impairment losses, deemed to be fair value. Refer also to the section *Fair value measurement* below. The capitalisation threshold is \$10,000. Items of equipment purchased for participant treatment, care and support are expensed as incurred.

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 LSA has only 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), recognition criteria (probability of future economic benefits and cost can be reliably measured) and is \$10,000 or more.

Impairment

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

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus (if any).

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The LSA classifies fair value measurement using the following fair value hierarchy. The level reflects the significance of the inputs used in making the measurement, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.10 Assets (continued)

Non-financial assets

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value. All items of property plant and equipment at Note 15 fall into this category and have not been revalued.

Otherwise, in determining fair value, the LSA would take into account the characteristics of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The LSA's current use would be the highest and best use of the assets unless other factors suggested an alternative use is feasible within the next five years.

Financial assets/liabilities

The fair value of assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximises the use of observable market data where it is available. The LSA uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Refer to Notes 14 and 25 for further disclosures regarding fair value measurement techniques and inputs for financial assets.

2.11 Liabilities

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

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

Payables

Payables include accrued expenses and employment on-costs.

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

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

Employee benefits on-costs include payroll tax and superannuation contributions in respect of employee benefits.

Employee Benefits

These are liabilities for benefits accruing to employees as a result of services provided up to the reporting date that remain unpaid. Short-term employee benefits are measured at nominal amount and long-term employee benefits are measured at present value.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

2.11 Liabilities (continued)

The annual leave liability and the skills and experience retention leave liability is expected to be payable within twelve months and is measured at the nominal amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

It is based on actuarial assumptions including expected future salary and wage levels, experience of employee departures and periods of service. These assumptions and the split between current and non-current are based on employee data from the DTF. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match as closely as possible to the estimated future cash outflows.

Provisions

The LSA's provisions consist of liabilities for participant treatment, care and support expenses, valued by the LSS Actuary, Finity Consulting Pty Ltd, as at the end of the financial year.

The LSA's provisions are measured at the present value of the expected future payments for claims of the LSS incurred as at the date of valuation, including claims incurred but not yet reported, discounted for the time value of money, and take account of the risks specific to the liability. Refer to Note 20 for disclosures about the measurement of the provision.

2.12 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating and remuneration commitments arising from contractual or statutory sources and are disclosed at their nominal value. Refer to Note 21.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer to Note 22.

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

3 New and revised accounting standards and policies

Except for AASB 2015–7 which the LSA has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the LSA for the period ending 30 June 2016. The LSA has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the LSA.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

4 Participant treatment, care and support expenses

	2016	2015
	\$'000	\$'000
Hospital	5 229	1 967
Rehabilitation	589	170
Equipment	508	78
Attendant care	787	37
Other	517	36
	7,630	2 288
Movement in provision for participants' treatment, care and support (refer Note 20)	110,192	92 785
Total participant treatment care and support	117 822	95 073

5 Employee benefits expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	1 558	1 384
Board and committee fees	362	367
Employment on-costs - superannuation	229	181
Employment on-costs - payroll tax	119	101
Long service leave	125	6
Annual leave	146	102
Skills and experience retention leave	2	4
Other employee related expenses	21	10
Total employee benefits expenses	2 562	2 155

Remuneration of employees

	2016	2015
	Number of employees	Number of employees
The number of employees whose remuneration received or receivable falls within the following bands:		
\$255 001 - \$265 000	-	1
\$295 001 - \$305 000	1	-
Total	1	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The employee reflected in the table is executive staff and total remuneration received by the employee for the year was **\$304 000** (2015: \$264 000).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

6 Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2015-16 financial year were:

LSA Board	Applications and Rules Committee
Ms Juliet Brown (Chair)	Ms Arabella Branson (Chair)
Ms Melinda OLeary	Mr Joseph Ullianich
Mr Joseph Ullianich	Mr George Potter*
Mr Kenneth Williams	Ms Chloe Fox*
Mr George Potter*	
Ms Arabella Branson	
Ms Chloe Fox*	

Audit Committee	Finance and Investment Committee
Mr Joseph Ullianich (Chair)	Mr Kenneth Williams (Chair)
Ms Juliet Brown	Ms Juliet Brown
Mr Kenneth Williams	Ms Melinda OLeary
Mr George Potter*	

There were no changes to members.

	2016 Number of members	2015 Number of members
The number of members whose remuneration received/receivable falls within the following bands:		
\$1 - \$9 999		1
\$30 000 - \$39 999		1
\$40 000 - \$49 999	2	1
\$50 000 - \$59 999	4	4
\$90 000 - \$99 999	1	1
Total number of members	7	8

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

6 Remuneration of board members (continued)

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 **\$401 000** (2015: \$406 000).

Amounts paid to a superannuation plan for board/committee members was **\$35 000** (2015: \$35 000).

** In accordance with the Department of the Premier and Cabinet Circular No. 016, the LSA received an exemption for the remuneration of Government employees for board/committee duties during the financial year.*

7 Service delivery and corporate expenses

	2016 \$'000	2015 \$'000
Professional fees	56	52
Information technology	370	96
Training and development	81	94
General administration and consumables	295	371
Accommodation and telecommunication	180	167
Consultants	15	37
Contractors and other outsourced services	56	71
Minor works maintenance and equipment	16	35
Service level agreement fees	273	249
Other expenses	198	186
Total service delivery and corporate expenses	1 540	1 358

The number and dollar amount of consultancies paid/payable (included in Service delivery and corporate expenses) that fell within the following bands:

	2016 Number	2015 Number	2016 \$'000	2015 \$'000
Below \$10 000	1	4	4	5
Above \$10 000	1	2	11	32
Total paid or payable to consultants engaged	2	6	15	37

8 Auditor's remuneration

	2016 \$'000	2015 \$'000
Audit fees paid or payable to the Auditor-General's Department	37	34
Total auditor's remuneration	37	34

Other services

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Service delivery and corporate expenses' (refer to Note 7).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

9 Amortisation

	2016	2015
	\$'000	\$'000
Internally developed software	48	-
Leasehold improvements	74	49
Total amortisation expense	122	49

10 Investment revenues

	2016	2015
	\$'000	\$'000
Interest income	34	53
Net gain on financial asset designated at fair value through profit or loss	9 508	5,435
Total investment revenues	9 542	5 488

11 Other revenues

	2016	2015
	\$'000	\$'000
Service agreement for case management	57	-
Reinsurance recoveries	809	-
Total other revenues	866	-

12 Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	937	2 457
Total cash and cash equivalents	937	2 457

Interest rate risk

Deposits with the Treasurer are interest bearing and earn a variable interest rate. The carrying amount of cash and cash equivalents represents fair value.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

13 Receivables

	2016	2015
	\$'000	\$'000
Current		
Accrued revenue	1 348	1 029
Prepayments*	815	649
Total current receivables	2 163	1 678
Non-current		
Reinsurance recoveries	809	-
Total non-current receivables	809	-
Total receivables	2 972	1 678

* \$769 000 (\$612 000) of prepayments relates to reinsurance premium.

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received, are normally settled within 30 days, and are non-interest bearing.

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity Analysis of Receivables — refer to Note 25.

Categorisation of financial instruments and risk exposure information — refer to Note 25.

14 Financial assets at fair value

	2016	2015
	\$'000	\$'000
Funds SA Untaxed Moderate Fund	292 943	165 435
Total financial assets at fair value	292 943	165 435

Categorisation of financial instruments and risk exposure information — refer to Note 25.

15 Property, plant and equipment

	2016	2015
	\$'000	\$'000
Leasehold improvements	147	147
Accumulated amortisation	(123)	(49)
Total leasehold improvements	24	98
Total property, plant and equipment	24	98

There were no indications of impairment of property, plant and equipment at 30 June 2016.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

15 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2015-16:

2016	Leasehold improvements	Total
	\$'000	\$'000
Carrying amount at the beginning of the year	98	98
Amortisation expense	(74)	(74)
Carrying amount at the end of the year	24	24

The following table shows the movement of property, plant and equipment during 2014-15:

2015	Leasehold improvements	Total
	\$'000	\$'000
Carrying amount at the beginning of the year	147	147
Amortisation expense	(49)	(49)
Carrying amount at the end of the year	98	98

16 Intangible assets

	2016	2015
	\$'000	\$'000
Internally developed software - work in progress	-	311
Internally developed software	411	-
Accumulated amortisation	(48)	-
Total intangible assets	363	311

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2015-16:

2016	Internally developed software	Work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at the beginning of the year	-	311	311
Additions	-	100	100
Capital work in progress transfers	411	(411)	-
Amortisation expense	(48)	-	(48)
Carrying amount at the end of the year	363	-	363

Lifetime Support Authority of South Australia **Notes to and forming part of the Financial Statements**

16 Intangible assets (continued)

The following table shows the movement of intangible assets during 2014-15:

2015	Work in progress \$'000	Total \$'000
Carrying amount at the beginning of the year	37	37
Additions	274	274
Carrying amount at the end of the year	311	311

The internally developed computer software relates to the LSA's participant management system (SALSA) with an estimated useful life of 5 years.

There were no indications of impairment for Intangible assets as at 30 June 2016.

17 Fair value measurement (non-financial assets)

Fair value hierarchy

All non-financial assets are classified as Level 3 for fair value measurement, using significant unobservable inputs. The following is a reconciliation of movements:

	2016 \$'000	2015 \$'000
Leasehold improvements		
Carrying amount at the beginning of the year	98	-
Additions	-	147
Amortisation expense	(74)	(49)
Total leasehold improvements	24	98

18 Payables

	2016 \$'000	2015 \$'000
Current		
Accrued expenses	3 702	1 875
Employment on-costs	36	29
Total current payables	3 738	1 904
Non-current		
Employment on-costs	29	12
Total non-current payables	29	12
Total payables	3 767	1 916

As a result of an actuarial assessment performed for DTF, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40% and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate (of 10.3%) to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost of \$1 000 and employee benefits expense of \$1 000.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

18 Payables (continued)

Interest rate and credit risk

Employment on-costs are settled when the respective employee benefits that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Maturity Analysis of Payables — refer to Note 25.

Categorisation of financial instruments and risk exposure information — refer to Note 25.

19 Employee benefits

	2016 \$'000	2015 \$'000
Current		
Accrued salaries and wages	49	17
Annual leave	161	121
Long service leave	12	78
Skills and experience retention leave	5	3
Total current employee benefits	227	219
Non-current		
Long service leave	317	133
Total non-current employee benefits	317	133
Total employee benefits	544	352

The actuarial assessment performed for DTF provides a basis for the measurement of long service leave liability. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate for long service leave cash flows. This yield on long-term Commonwealth Government bonds decreased from 2015 (3%) to 2016 (2%).

The decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$26 000. The impact on future periods is impracticable to estimate as the long service liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

20 Provisions

Provision for participant treatment, care and support services

The liability for participant treatment, care and support is measured as the present value of the expected future payments. The present values after discounting are as follows:

	2016 \$'000	2015 \$'000
Current		
Provision for participant treatment, care and support	8 559	7 239
Total current provision	8 559	7 239
Non-current		
Provision for participant treatment, care and support	194 418	85 546
Total non-current provision	194 418	85 546
Total provisions	202 977	92 785
	2016 \$'000	2015 \$'000
Not later than one year	8 559	7 239
Later than one year but not later than five years	37 846	18 062
Later than five years but not later than ten years	34 587	15 910
Later than ten years	121 985	51 574
Total	202 977	92 785

Movement in Provisions

Movements in the provision for participant care and support during the financial year are set out below.

	2016 \$'000	2015 \$'000
Carrying amount at the beginning of the year	92 785	-
Additions	110 192	92 785
Carrying amount at the end of the year	202 977	92 785

Sensitivity analysis for the valuation as at 30 June 2016

The liability represents the best estimate and is based on standard actuarial assessment. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists in the estimate due to the long-term nature of the liability, and the ultimate liability is subject to the outcomes of events yet to occur. These include, but are not limited to, factors such as the improvement in the injury severity of participants, mortality assumptions and levels of future treatment, care and support provided to participants.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

20 Provisions (continued)

	30 June 2016 Liability \$m	Effect on Liability \$m	Percentage Effect %
Central estimate of provisions	203.0		
Different long term gap assumptions			
a. One per cent per annum lower for all future years	239.6	36.6	18%
b. One per cent per annum higher for all future years	173.5	-29.5	-15%
Mortality assumptions			
a. One percent per annum increase in mortality improvement	213.4	10.4	5%
b. One percent per annum decrease in mortality improvement	190.8	-12.2	-6%
Other assumptions			
a. All participants with a brain injury decrease by 1 score on the CANS scale	161.3	-41.7	-21%
b. Long term attendant care rate (in 2016/17 dollars) is 10% higher (increased to \$59 per hour)	217.5	14.5	7%

Actuarial assumptions and methods

In determining the liability each participant is valued on an individual level based on their injury, age and expected future care needs. The following assumptions were used in determining the liability:

	2016 Years	2015 Years
Weighted mean term		
Uninflated, undiscounted	22.0	21.1
Inflated, discounted	17.2	16.7
	2016 %	2015 %
Equivalent single rate (all future years)		
Inflation rate	4.25%	4.25%
Investment return rate	6.25%	6.25%

Definitions

Inflated mean term

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the LSA must manage and control the cost of these claims.

Discounted mean term

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

Inflation

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. Inflation is with reference to wage inflation (a key driver of attendant care costs and rehabilitation type services). A rate of 3.5% (2015: 3.5%) p.a. has been adopted.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

20 Provisions (continued)

Inflation also includes an allowance for superimposed inflation, i.e. the growth in claims cost not explained by underlying inflation or other factors. This includes an allowance for:

- medical inflation costs to grow faster than underlying inflation (0.75% p.a. for all services plus an additional 0.5%p.a. for medical services for participants with a brain injury).
- attendant care costs to grow faster than underlying inflation (market supply and demand for services) by 0.75%p.a.

Discount rates

The adopted discount rate reflects the expected long term return for the LSA's portfolio of assets.

21 Unrecognised contractual commitments

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report

	2016 \$'000	2015 \$'000
No later than one year	-	18
Total capital commitments	-	18

(b) Expenditure commitments

Expenditure commitments include contracts for services such as reinsurance and actuarial services.

Commitments in existence at the reporting date but not recognised as liabilities are payable as follows:

	2016 \$'000	2015 \$'000
No later than one year	3 787	1 107
Later than one year but not later than five years	88	353
Total other commitments	3 875	1 460

(c) Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2016 \$'000	2015 \$'000
No later than one year	20	10
Total operating lease commitments	20	10

At the reporting date, the LSA has an operating lease for office accommodation.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. Rental is payable in arrears.

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

22 Contingent assets and liabilities

The LSA is not aware of any contingent assets or liabilities, and has not made any guarantees.

23 Cash flow reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	937	2 457
Balance as per the Statement of Cash Flows	937	2 457
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	116 580	119 949
Add non-cash items:		
Amortisation expense	(122)	(49)
Unrealised gain/(loss) on financial assets	9 508	5 435
Movements in assets and liabilities:		
Increase / (decrease) in receivables	1 294	628
(Increase) / decrease in payables	(1 851)	(1 544)
(Increase) / decrease in employee benefits	(192)	(257)
(Increase) / decrease in provisions	(110 192)	(92 785)
Net result from operating activities	15 025	31 377

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

24 Transactions with SA Government

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

		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Participant treatment care and support expenses	4	7 794	11 719	110 028	83 354	117 822	95 073
Duty on LSS Fund levy		14 377	13 956	-	-	14 377	13 956
Reinsurance		-	-	3 390	2 598	3 390	2 598
Employee benefits expenses	5	146	109	2 416	2 046	2 562	2 155
Service delivery and corporate expenses	7						
Professional fees		-	-	56	52	56	52
Information technology		-	-	370	108	370	108
Training and development		-	-	81	91	81	91
General administration and consumables		-	-	295	372	295	372
Accommodation and telecommunication		164	-	16	167	180	167
Consultants		-	-	15	37	15	37
Contractors and other outsourced services		-	-	56	71	56	71
Minor works maintenance and equipment		-	-	16	35	16	35
Service level agreement fees		273	249	-	-	273	249
Other		-	-	198	176	198	176
Research education programs		-	-	595	-	595	-
Amortisation expense	9	-	-	122	49	122	49
Service agreement for case management		-	-	55	-	55	-
Total expenses		22 754	26 033	117 709	89 156	140 463	115 189
Income							
Revenues from LSS Fund levy		-	-	145 080	141 078	145 080	141 078
Investment revenues	10	9 542	5 488	-	-	9 542	5 488
Other revenue		-	-	866	-	866	-
Total income		9 542	5 488	145 946	141 078	155 488	146 566

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

24 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Receivables	13	-	-	2 972	1 678	2 972	1 678
Financial assets at fair value	14	292 943	165 435	-	-	292 943	165 435
Total financial assets		292 943	165 435	2 972	1 678	295 915	167 113
Financial liabilities							
Payables	18	3 252	1 566	515	350	3 767	1 916
Employee benefits	19	-	-	544	352	544	352
Provisions	20	11 900	9 768	191 077	83 017	202 977	92 785
Total financial liabilities		15 152	11 334	192 136	83 719	207 288	95 053

25 Financial instruments/financial risk management

The LSA's principal financial instruments are outlined below. These financial instruments arise directly from the LSA's operations or are required to finance the LSA's operations. The LSA does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The LSA's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and has approved policies for managing each of these risks. The LSA's *Investment Policy Statement* describes the governance framework within which the LSA's investments are managed and monitored.

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.

Refer table 25.2 for the carrying amounts of each of the categories of financial assets and liabilities.

Fair value measurement

AASB 7 Financial Instrument Disclosures requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

25 Financial instruments/financial risk management (continued)

The table below presents LSA's financial assets, consisting of investments in unlisted unit trusts managed by Funds SA, and measured and recognised at fair value.

Table 25.1 LSA Categories of Fair Value Measurement

	Level 1	Level 2	Level 3	Total
Financial assets at fair value 30 June 2016	\$'000	\$'000	\$'000	\$'000
Funds SA Untaxed Moderate Fund	-	292 943		292 943

	Level 1	Level 2	Level 3	Total
Financial assets at fair value 30 June 2015	\$'000	\$'000	\$'000	\$'000
Funds SA Untaxed Moderate Fund	-	165 435		165 435

Credit risk

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

The LSA has no concentration of credit risk. The LSA does not engage in high risk hedging for its financial assets.

The LSA has no financial assets past due.

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

Lifetime Support Authority of South Australia
Notes to and forming part of the Financial Statements

25 Financial instruments/financial risk management (continued)

Table 25.2: Categorisation and maturity analysis of financial assets and liabilities

			2016 Contractual maturities			
Category of financial asset and financial liability	Note	2016 Carrying amount / fair value \$'000	Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	12	937	937	-	-	-
Receivables ⁽¹⁾⁽²⁾	13	866	57	-	-	809
Financial assets at fair value ⁽³⁾	14	292 943	292 943	-	-	-
Total financial assets		294,746	293,937	-	-	809
Financial liabilities						
Payables ⁽¹⁾	18	2 485	2 485	-	-	-
Total financial assets		2,485	2,485	-	-	-

			2015 Contractual maturities			
Category of financial asset and financial liability	Note	2015 Carrying amount / fair value \$'000	Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	12	2 457	2 457	-	-	-
Receivables ⁽¹⁾⁽²⁾	13	5	5	-	-	-
Financial assets at fair value ⁽³⁾	14	165 435	165 435	-	-	-
Total financial assets		167,897	167,897	-	-	-
Financial liabilities						
Payables ⁽¹⁾	18	640	640	-	-	-
Total financial assets		640	640	-	-	-

1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). 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 levies, tax and equivalents 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).

(2) Receivable amount disclosed here excludes prepayments. Prepayments are presented in Note 13 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined by AASB 132 as the future economic benefits of these assets is the receipt of goods and services rather than right to receive cash or another financial asset.

(3) The LSA invests in Funds SA's untaxed multi-sector funds. The intention is to hold the investments on a long term basis, however, investments are available for a withdrawal at call.

Lifetime Support Authority of South Australia

Notes to and forming part of the Financial Statements

25 Financial instruments/financial risk management (continued)

Liquidity risk

Liquidity risk arises where the LSA is unable to meet its financial obligations as they fall due. The continued existence of the LSA is dependent on State Government policy for the LSA's administration and programs. The LSA 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 LSA's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Table 25.2 represent the LSA's maximum exposure to financial liabilities.

Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The LSA's exposures to market risk are primarily associated with movement in the unit price of the investments with Funds SA. The LSA does not have direct exposure to foreign currency risk and its direct exposure to interest rate risk is insignificant based on a current assessment of risk.

The LSA does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The LSA does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in Treasurer's Instruction 23 *Management of Foreign Currency Exposures*.

Sensitivity disclosure analysis

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption value as at 30 June 2016.

	Change in Unit Price		Impact on profit and loss		Impact on equity	
	2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Funds SA Untaxed Moderate Fund *	20.3	24.7	59 467	40 862	59 467	40 862
	-6.8	-9.7	(19 920)	(16 047)	(19 920)	(16 047)

Capital Management

To provide for a financially responsible and sustainable LSS over the long term, the LSA aims to maintain an appropriate capital balance to act as a buffer against uncertainties in the value of outstanding claims liabilities and investment returns. Detailed financial modelling suggests that the LSS's funding position will be at its most vulnerable to these uncertainties in the earlier years of the LSS.

The LSA has adopted for the LSS a minimum probability of sufficiency of 65% (the chance that the capital of the LSS is expected to be adequate to cover actual outcomes) through a solvency margin in excess of actuarial provisions. As at 30 June 2016, the probability of sufficiency for the LSS was 69%.

The Board continually reviews the LSA's funding position, and assesses the policy on an annual basis to ensure it remains appropriate.

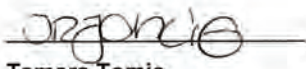
26 Events after the reporting period

No circumstance has arisen that has affected or may significantly affect the LSA's operations since 30 June 2016.

Lifetime Support Authority of South Australia Certification of the Financial Statements

We certify that the:

- financial statements of the Lifetime Support Authority of South Australia (LSA):
 - are in accordance with the accounts and records of the LSA;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the LSA at the end of the financial year and the results of its operations and cash flows for the financial year.
- internal controls employed by the LSA over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Tamara Tomic
Acting Chief Executive
Lifetime Support Authority of SA
16 September 2016



Sorana Dinmore
Director, Corporate
Lifetime Support Authority of SA
16 September 2016



Juliet Brown
Chair
Lifetime Support Authority of SA
16 September 2016

INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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To the Chair of the Board Lifetime Support Authority of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*, I have audited the accompanying financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, the Acting Chief Executive and the Director Corporate.

The Board's responsibility for the financial report

The Directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

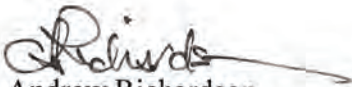
My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Lifetime Support Authority of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2016, 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.

Significant inherent uncertainty – provision for participants' treatment, care and support services

Without qualification to the opinion expressed above, attention is drawn to notes 2.11 and 20 of the financial report. There is significant inherent uncertainty surrounding the estimate of the provision for participants' treatment, care and support services because of the long-term nature of the provision and limited participants' experience to date. This uncertainty will remain until sufficient participants' experience is available.



Andrew Richardson

Auditor-General

19 September 2016

Local Government Finance
Authority of South Australia

Financial report
for the year ended
30 June 2016

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
INCOME			
Interest on Investments	2(c)	1,233	2,339
Interest on Loans and Advances	2(c)	44,276	46,738
Other Income	2(f),2(h),2(j),3	422	307
TOTAL INCOME		45,931	49,384
EXPENSES			
Interest on Deposits from Councils and Local Government Bodies	2(d)	9,994	11,628
Interest on Borrowings	2(d)	26,365	28,972
Fees for the Guarantee of the Treasurer of S.A. on Liabilities	24	1,214	1,293
Administration Expenses	4	1,971	1,812
Other Expenses	2(f),5	160	53
TOTAL EXPENSES		39,704	43,758
PROFIT BEFORE INCOME TAX EQUIVALENTS		6,227	5,626
Income Tax Equivalent Expense	2(e)	1,868	1,688
PROFIT AFTER INCOME TAX EQUIVALENTS		4,359	3,938
TOTAL COMPREHENSIVE RESULT		4,359	3,938

The profit after income tax equivalents and comprehensive result are attributable to the owners.

The above statement should be read in conjunction with the accompanying notes.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF FINANCIAL POSITION As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Cash and Liquid Assets	6	60	26
Accrued Interest Receivable	7	3,530	4,068
Investment Securities	2(f),8	41,318	51,478
Other Assets	9	141	137
Net Loans and Advances	2(g),10	680,217	695,774
Property, Plant & Equipment	2(k),11	2,060	2,102
TOTAL ASSETS		727,326	753,585
LIABILITIES			
Deposits from Councils and Local Government Bodies	2(l),12	383,912	440,861
Accrued Interest Payable	13	2,589	3,129
Borrowings	14	228,378	210,304
Derivatives	2(i),2(j),15	46,123	35,455
Provisions	2(m),16	3,404	3,257
Other Liabilities	17	252	270
TOTAL LIABILITIES		664,658	693,276
NET ASSETS		62,668	60,309
EQUITY			
General Reserve	2(n)	62,000	59,800
Retained Profits		668	509
TOTAL EQUITY		62,668	60,309

The equity is attributable to the owners.

Contingent Assets and Liabilities 22

The above statement should be read in conjunction with the accompanying notes.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	General Reserve \$'000	Retained Profits \$'000	Total \$'000
Balance at 1 July 2014	57,800	571	58,371
Profit After Income Tax Equivalents for 2014/15	-	3,938	3,938
Total Comprehensive Result for 2014/15	-	3,938	3,938
Transfer to Bonus Payment Provision	-	(2,000)	(2,000)
Transfer to General Reserve	2,000	(2,000)	-
Balance at 30 June 2015	59,800	509	60,309
Profit After Income Tax Equivalents for 2015/16	-	4,359	4,359
Total Comprehensive Result for 2015/16	-	4,359	4,359
Transfer to Bonus Payment Provision	-	(2,000)	(2,000)
Transfer to General Reserve	2,200	(2,200)	-
Balance at 30 June 2016	62,000	668	62,668

All changes in equity are attributable to the owners.

The above statement should be read in conjunction with the accompanying notes.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and Bill Discounts Received		45,518	49,513
Interest Paid		(36,319)	(41,161)
Fees Paid re Guarantee provided by Treasurer of S.A.		(1,224)	(1,289)
Cash Payments to Suppliers and Employees		(1,772)	(1,673)
Fees Received		74	91
Income Tax Equivalents Paid		(1,763)	(1,653)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19(c)	4,514	3,828
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to Councils and Local Government Bodies		25,792	(23,356)
Investment Securities		10,000	10,000
Payments for Property, Plant & Equipment		(116)	(152)
Proceeds from Sale of Property, Plant & Equipment		1	49
NET CASH USED IN INVESTING ACTIVITIES		35,677	(13,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Promissory Notes		(1,525)	(3,589)
Deposits from Councils and Local Government Bodies		(56,949)	68,159
Short Term Money Market Facilities		(5,401)	(53,505)
Fixed Term Borrowings		25,000	-
Bonus Payment to Councils and Local Government Bodies		(2,000)	(2,000)
Other		718	565
NET CASH PROVIDED BY FINANCING ACTIVITIES		(40,157)	9,630
NET INCREASE/(DECREASE) IN CASH HELD		34	(1)
Cash/(bank overdraft) at 1 July		26	27
CASH AT 30 JUNE	19(a)	60	26

The above statement should be read in conjunction with the accompanying notes.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2016

1 - Objectives of the Local Government Finance Authority of South Australia

The Local Government Finance Authority of South Australia (the Authority) is a Public Authority and was established pursuant to the Local Government Finance Authority Act, 1983. The functions of the Authority are as follows:

- a) to develop and implement borrowing and investment programmes for the benefit of councils and prescribed local government bodies; and
- b) to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.

2 - Statement of Accounting Policies

a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities, which are issued pursuant to the South Australian Public Finance and Audit Act, 1987.

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain financial instruments that have been valued in accordance with the valuation policy applicable.

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

b) Classification of Financial Instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

Loans and receivables – measured at amortised cost. The Authority classifies Loans and Advances, Accrued Interest Receivable, Cash and Liquid Assets and Other Assets under this category.

Held to maturity financial assets – measured at amortised cost. The Authority did not have any assets in this category at balance date.

Available-for-sale financial assets – measured at fair value with fair value changes taken to Equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (Note 2(f) Refer) under this category, which are not held for trading but can be disposed of in an existing market if required.

Financial assets or financial liabilities at fair value through profit and loss – measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments that are not classified as effective hedging instruments under this category (Note 2(i) Refer).

Fair Value Hedge – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (Note 2(i) Refer) and the corresponding hedged items (Note 2(h) Refer), which are all fixed rate debenture loans under this category.

Financial Liabilities at amortised cost – The Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (Note 2(i) Refer).

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

c) Interest Income

Interest on Investments

This item includes interest income from investment assets which are classified as Loans and receivables, Available-for-sale financial assets and Financial assets at fair value through profit and loss. The interest income is calculated on an accruals basis.

Interest on Loans and Advances

This item includes interest income from loan assets classified as Loans and receivables as well as interest income from derivatives that are classified under the Fair Value Hedge category. The interest income is calculated on an accruals basis.

d) Interest Expense

Interest on Deposits from Councils and Local Government Bodies

This item includes interest paid to Councils and Local Government Bodies and is calculated on an accruals basis.

Interest on Borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

e) Income Tax Equivalents

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

f) Investment Securities

Investment securities held by the Authority are mainly Australian bank term deposits which are categorised as Loans and Receivables and therefore accounted for at amortised cost.

Investments held by the Authority that are categorised as Available-for-sale financial assets are recorded at fair value in accordance with the provisions of AASB 139 Financial Instruments: Recognition and Measurement. Gains in relation to these investments which reverse impairment losses previously recognised in the Statement of Comprehensive Income are recognised as revenue to the extent that they reverse prior impairment losses. Similarly any further impairment losses incurred are recognised as an expense in the Statement of Comprehensive Income.

g) Loans and Advances

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$12.3 million as at 30/6/16) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

h) Hedge Accounting

Loans which are not effectively hedged by a derivative financial instrument are recorded in the accounts on the basis of historical cost. Loans which are effectively hedged by a derivative financial instrument are recorded using hedge accounting.

The Authority uses interest rate swaps to hedge the interest rate risk associated with long term fixed rate debenture loans to Councils and Prescribed bodies. Hedge Accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139 Financial Instruments: Recognition and Measurement.

The hedges used by the Authority are classified as Fair Value Hedges and the hedged items are all long term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

i) Derivative Transactions

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 23 - Financial Risk Management refer).

Interest Rate Swaps are categorised as Fair Value Hedges and Futures Contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

j) Revaluations

AASB13 Fair Value Measurement stipulates the method for revaluing financial instruments. A credit value adjustment (CVA) is required to be applied to financial instrument revaluations where the adjustment amount is considered to be material. The Authority utilises a portfolio of long dated, high dollar value interest rate swaps to manage interest rate risk. As this portfolio is revalued as a liability the resulting credit value adjustment required is a gain, known as a debit value adjustment (DVA) (Note 15 Refer). This amount is not hedged and is therefore deemed to represent ineffectiveness in the hedge relationship. The debit value adjustment is therefore required to be posted to the Statement of Comprehensive Income (Note 3 Refer).

k) Property, Plant & Equipment

Property, Plant & Equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:-

Office Equipment	3 Years
Office Furniture	5 Years
Computer Software	2.5 Years to 3 Years
Motor Vehicles	5.5 Years to 10 Years
Building Floorspace	70 Years

l) Concentrations of Deposits

The Authority is an industry specific financial institution which operates under the Local Government Finance Authority Act, 1983. The Authority is restricted by legislation to accepting deposits from Councils and Local Government Bodies operating in South Australia.

m) Provisions

Employee Benefits

A provision is made in respect of the Authority's liability for annual leave and long service leave as at balance date. Long service leave is accrued for all employees from the date of commencement of service. The amount included in the accounts is the undiscounted amount expected to be paid.

No provision is made in the accounts for sick leave entitlements.

Bonus Payment

A provision is made for the annual bonus to clients which is based on their average account balances for loans and deposits during the financial year. This payment is made pursuant to Section 22(2)(b) of the Local Government Finance Authority Act 1983.

A reconciliation of movements in this provision is provided at Note 16(i).

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

Income Tax Equivalents

A provision is made for Tax Equivalents payable as at 30 June 2016 (Note 2(e) Refer).

A reconciliation of movements in this provision is provided at Note 16(ii).

n) General Reserve

The General Reserve has been accumulated from profits earned in previous years. The purpose of the reserve is to provide the Authority with a strong financial position and to safeguard against any future adverse conditions that may be encountered. Further profits are earned through the reinvestment of the reserve funds.

o) Accounting Judgements, Estimates and Assumptions

Significant accounting judgements

In the process of applying the Authority's accounting policies, management has made judgements in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements. In particular, the classification of derivatives and long term fixed rate debenture loans as Fair Value Hedges has enabled management to utilise the hedge accounting provisions of AASB 139 Financial Instruments: Recognition and Measurement.

Significant accounting estimates and assumptions

The fair values of Available-for-sale financial assets, hedged long term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore, no significant estimates or assumptions are used in their calculation.

p) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and accounting policy statements have required a change.

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

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

q) Rounding

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

r) New and Revised Accounting Standards

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2016.

The Authority did not voluntarily change any of its accounting policies during 2015-16.

The Authority has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Authority.

With regard to impending Accounting Standards, the Authority has assessed the impact of AASB 9 Financial Instruments and considers there will be no material financial impact when it is due to be adopted in the financial year ending 30 June 2019.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2016	2015
	\$'000	\$'000
3 - Other Income		
Fair Value Hedges Revaluation (Hedge Accounting) Gain/(Loss)	(52)	146
Debit Value Adjustment Gain	400	68
Fee Income	73	82
Gain on Sale of Fixed Assets	<u>1</u>	<u>11</u>
	<u>422</u>	<u>307</u>

4 - Administration Expenses		
Audit Fees	74	68
Consultancy Fees	21	17
Depreciation	158	150
Occupancy Expenses	35	36
Salaries & On-Costs	1,129	1,004
Software License Fees	104	98
Sponsorships	88	88
Other Administration Expenses	<u>362</u>	<u>351</u>
	<u>1,971</u>	<u>1,812</u>

The amounts received, or due and receivable in respect of this financial year by the Auditors in connection with:

Auditing the accounts by the Auditor General's Department*	55	50
Financial Management Compliance Program by an external audit firm	<u>19</u>	<u>18</u>
	<u>74</u>	<u>68</u>

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

The number and dollar amount of consultancies paid/payable that fell within the following bands:

	No.		No.
Below \$10,000	1	4	3
\$10,000 to \$50,000	<u>1</u>	<u>17</u>	<u>-</u>
	<u>21</u>	<u>17</u>	

5 - Other Expenses		
Loss on Impaired Available-for-Sale Assets Revaluation	<u>160</u>	<u>53</u>

6 - Cash and Liquid Assets		
Cash at Bank	<u>60</u>	<u>26</u>

7 - Accrued Interest Receivable*		
Interest Receivable - Loans to Councils and Local Government Bodies	2,721	3,207
Interest Receivable - Investment Securities	<u>809</u>	<u>861</u>
	<u>3,530</u>	<u>4,068</u>

* The accrued interest receivable on Investment Securities, Net Loans and Advances and Derivatives which are required to be recorded at fair value have been transferred to the respective line item.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2016 \$'000	2015 \$'000
8 - Investment Securities		
Deposits and Securities issued by Banks	42,000	52,000
Accrued Interest Receivable	8	8
Fair Value Loss on Impaired Available-for-Sale Assets*	(690)	(530)
	<u>41,318</u>	<u>51,478</u>
*The unrealised impairment loss relates to the market value of perpetual floating rate capital notes, which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time, the return on the initial investment of \$2.0 million remains constant at 100 basis points over the 90 day BBSW interest rate on the face value of the notes.		
9 - Other Assets		
Sundry Debtors and Prepayments	<u>141</u>	<u>137</u>
10 - Net Loans and Advances		
Advances	195,538	216,122
Term Loans	<u>428,811</u>	<u>434,018</u>
Loans and Advances - at Cost	624,349	650,140
Fair Value Adjustment (Hedge Accounting)	<u>55,868</u>	<u>45,634</u>
Net Loans and Advances	<u>680,217</u>	<u>695,774</u>
Unrecognised Commitments - Loans and Advances		
Unused Cash Advance facilities	430,756	383,012
Term loans approved not advanced	<u>8,384</u>	<u>7,278</u>
	<u>439,140</u>	<u>390,290</u>
11 - Property, Plant & Equipment		
Plant, Equipment, and Motor Vehicles:		
- at cost	1,088	1,000
less, accumulated depreciation	(745)	(640)
Building Floorspace		
- at cost	1,799	1,799
less, accumulated depreciation	(82)	(57)
Total Property, Plant & Equipment	<u>2,060</u>	<u>2,102</u>
Reconciliation of Property, Plant & Equipment		
Carrying Amount at 1 July	2,102	2,138
Acquisitions	116	152
Disposals	-	(38)
Depreciation	(158)	(150)
Carrying Amount at 30 June	<u>2,060</u>	<u>2,102</u>
12 - Deposits from Councils and Local Government Bodies		
Deposits from Councils and Local Government Bodies	<u>383,912</u>	<u>440,861</u>
13 - Accrued Interest Payable		
Interest Payable on :		
- Deposits from Councils and Local Government Bodies	2,269	2,649
- Borrowings*	320	480
	<u>2,589</u>	<u>3,129</u>

* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the Derivatives line item.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

	2016 \$'000	2015 \$'000
14 - Borrowings		
Short Term Money Market Facility	180,074	185,475
Fixed Term Borrowings	25,000	-
Promissory Notes	23,304	24,829
	<u>228,378</u>	<u>210,304</u>
15 - Derivatives		
Swap Principal Receivable	(7,607)	(8,326)
Interest Receivable - Interest Rate Swaps	(1,070)	(1,132)
Interest Payable - Interest Rate Swaps	3,880	4,135
Fair Value Adjustment	51,519	40,977
Debit Value Adjustment	(599)	(199)
Interest Rate Swaps*	<u>46,123</u>	<u>35,455</u>
* Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg.		
16 - Provisions		
Employee Benefits	360	320
Fringe Benefits Tax	20	18
Bonus Payment to Councils and Local Government Bodies	2,000	2,000
Provision for Income Tax Equivalents	1,024	919
	<u>3,404</u>	<u>3,257</u>
Movements of major provisions during the year		
(i) Bonus Payment to Councils and Local Government Bodies		
Opening Balance 1 July	2,000	2,000
Increase in Provision	2,000	2,000
Amounts Paid	(2,000)	(2,000)
Closing Balance 30 June	<u>2,000</u>	<u>2,000</u>
(ii) Provision for Income Tax Equivalents		
Opening Balance 1 July	919	884
Increase in Provision	1,868	1,688
Amounts Paid	(1,763)	(1,653)
Closing Balance 30 June	<u>1,024</u>	<u>919</u>
17 - Other Liabilities		
Employee On-costs	40	35
Sundry Creditors	212	235
	<u>252</u>	<u>270</u>
18 - Superannuation Commitments		

The Authority contributes to superannuation funds as chosen by individual employees. There is no liability for payments to beneficiaries as they have been assumed by the superannuation scheme. The only liability outstanding at reporting date relates to any contributions due but not yet paid.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

19 - Notes to Statement of Cash Flows

(a) Reconciliation of Cash

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

	Note	2016 \$'000	2015 \$'000
Cash and Liquid Assets	6	60	26

(b) Cash Flows Presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:

- (i) Client Deposits and Withdrawals;
- (ii) Sales and Purchases of Money Market Securities;
- (iii) Drawdown and Repayment of Loans and Investments; and
- (iv) Fees Paid and Received

(c) Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Profit after Income Tax Equivalents.

	2016 \$'000	2015 \$'000
PROFIT AFTER INCOME TAX EQUIVALENTS	4,359	3,938
Decrease/(Increase) in Interest Receivable	857	436
Decrease/(Increase) in Sundry Debtors	(5)	8
Increase/(Decrease) in Interest Payable	(795)	(573)
Increase/(Decrease) in Other Liabilities	(18)	(5)
Increase/(Decrease) in Provisions	148	46
Depreciation	158	150
Revaluation Loss/(Gain)	(349)	(214)
Impairment Loss/(Gain)	160	53
Loss/(Gain) on Disposal of Fixed Assets	(1)	(11)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	4,514	3,828

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

20 - Remuneration of Board Members

The Authority operates independently under its own legislation and has no other controlled entities.
The name of each person holding the position of Board Member during the year is as follows:-

Mr Anthony Pederick OAM
Mr Craig Fowler
Councillor John Frogley
Ms Susan McCormick
Mr Matt Pinnegar
Mr David Posaner
Mr Raj Rajamani
Councillor John Sanderson
Mr Mark Searle

Mr Matt Pinnegar commenced as CEO of the Local Government Association of South Australia effective 7 September 2015, replacing Mr Mark Searle who had held this position in an acting capacity. Section 7(e) of the Local Government Finance Authority Act, 1983 requires the incumbent of this position to be a member of the Authority's Board.

Mr David Posaner resigned from his position of Appointee of the Treasurer at the expiration of his term on 30 September 2015. Mr Craig Fowler commenced as the Appointee of the Treasurer for a two year term commencing 22 October 2015.

Board Members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Chief Executive Officer of the Local Government Association of South Australia are made in accordance with Section 13 of the Local Government Finance Authority Act, 1983. The Appointee of the Minister and the Appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Chief Executive Officer of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to Board Members for the financial year ended 30 June 2016 was \$58,000 (\$56,716) which includes salary and superannuation.

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.

The number of Board Members whose remuneration was within the following bands:

	2016	2015
\$20,001 - \$30,000	1	1
\$10,001 - \$20,000	1	1
\$1 - \$10,000	3	4
No Remuneration	3	2
	<u>8</u>	<u>8</u>

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

21 - Remuneration of Employees

(a) Key Management Personnel

The following persons held authority and responsibility for management of the activities of the Authority, directly or indirectly during the financial year:

Mr Paul Slater	Chief Executive Officer
Mr Robert Hardy	Senior Manager Financial Markets

(b) Key Management Personnel Remuneration

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

	2016	2015
\$420,001 - \$430,000	1	-
\$390,001 - \$400,000	-	1
\$200,001 - \$210,000	1	-
\$180,001 - \$190,000	-	1

The remuneration comprises salary, superannuation contributions including superannuation guarantee charge, motor vehicle package, car parking, living away from home allowance and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by key management personnel for the year was \$624,166 (\$584,444).

22 - Contingent Assets and Liabilities

The Authority incurs contingent assets and liabilities as part of its normal operations in providing borrowing and investment services to Local Government in South Australia as are contemplated by its enabling legislation.

(a) Contingent Assets

(i) Guarantee of the Treasurer of SA on Liabilities

Under Section 24 of the Local Government Finance Authority Act, 1983, all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the State of South Australia. As at 30 June 2016 the total liabilities guaranteed was \$664.658 million.

(ii) Debentures over Council Rate Revenue

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$12.3 million as at 30/6/16) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

As at 30 June 2016 the total loans secured by debenture was \$624.349 million.

(b) Contingent Liabilities

(i) Financial Guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Return to Work Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred.

As at 30 June 2016 the amount guaranteed was \$31.406 million.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(ii) Performance Bond/Guarantees

(i) Northern Adelaide Waste Management Authority

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2016 the amount guaranteed was \$1,350,000.

(ii) City of Charles Sturt

The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Social Services. As at 30 June 2016 the amount guaranteed was \$5.8 million.

Note: Pursuant to Schedule 2 of the Local Government Act 1999, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

23 - Financial Risk Management

(a) Risk Management Policies and Procedures

The Treasurer issued a revised consent dated 27 October 2013, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to Local Government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a Board approved Risk Policy document. A Treasury Management System is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the Risk Policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting. An Asset and Liability Committee (ALCO) has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

(b) Market Risk

Market risk for the Authority is primarily through interest rate risk and other price risk. There is no exposure to foreign currency risk.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk the Authority has entered into interest rate swap contracts and interest rate futures contracts to hedge actual financial transactions.

(i) Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

(ii) Sensitivity Analysis for Variable Rate Instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased/(decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	Principal Balance 30/06/16 \$'000	+0.5% \$'000	-0.5% \$'000	Principal Balance 30/06/15 \$'000	+0.5% \$'000	-0.5% \$'000
Variable Rate Financial Assets						
Investment Securities	12,000	60	(60)	47,000	235	(235)
Loans and Advances	195,538	978	(978)	217,122	1,086	(1,086)
Variable Rate Financial Liabilities						
Council Deposits	301,560	(1,508)	1,508	402,750	(2,014)	2,014
Short Term Money Market Facility	180,074	(900)	900	185,475	(927)	927
Promissory Notes	23,304	(117)	117	24,829	(124)	124
Variable Rate Derivatives						
Interest Rate Swaps (Notional Principal)	430,514	2,153	(2,153)	427,852	2,139	(2,139)
Profit/(Loss) Interest Rate Sensitivity		<u>666</u>	<u>(666)</u>		<u>395</u>	<u>(395)</u>

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(ii) Other Price Risk

The Authority holds an investment issued by an Australian bank known as Floating Rate Capital Notes, which are traded on the Australian Stock Exchange and are therefore classified as Available-for-sale assets. This investment is subject to price variations caused by factors other than interest rate fluctuations.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's Risk Policy document is a Credit Risk Limits policy which stipulates counterparty credit limits as follows:

- (i) Investments and Derivatives - Individual counterparties are assessed based on Standard & Poor's Credit Ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.
- (ii) Loans and Advances - Credit limits are applied to individual councils based on debt servicing levels not exceeding Board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the Council's general revenue.

The Authority has not incurred any bad debts since its inception in 1984.

A concentration of credit risk occurs in relation to loans and advances as under the Local Government Finance Authority Act, 1983, loans and advances made are restricted to Councils and Local Government Bodies (Note 2(g) Refer).

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard and Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to Councils and Local Government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

2016	Short Term Rating		Long Term Rating				NR	Total
	A1+	A2	AA-	A+	A	A-		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Liquid Assets	60	-	-	-	-	-	-	60
Investment Securities	7,000	5,000	18,000	5,000	-	7,000	-	42,000
Loans and Advances	-	-	-	-	-	-	624,348	624,348
Derivatives	-	-	2,500	-	2,500	-	-	5,000
Total	7,060	5,000	20,500	5,000	2,500	7,000	624,348	671,408

2015	Short Term Rating		Long Term Rating				NR	Total
	A1+	A2	AA-	A+	A	A-		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and Liquid Assets	26	-	-	-	-	-	-	26
Investment Securities	45,000	-	-	5,000	-	2,000	-	52,000
Loans and Advances	-	-	-	-	-	-	650,140	650,140
Derivatives	-	-	1,900	-	3,200	-	-	5,100
Total	45,026	-	1,900	5,000	3,200	2,000	650,140	707,266

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(d) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short term financial liabilities and long term financial assets exists.

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short term borrowing arrangements with the South Australian Government Financing Authority (SAFA).

A liquidity policy is included in the Authority's Risk Policy document which provides for regular management reporting in order to closely monitor the liquidity position. The Risk Policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

2016

Carrying Amount \$'000	Contracted Cash Flows \$'000	0 - 3 Months \$'000	3 - 12 Months \$'000	1 - 5 Years \$'000	> 5 Years \$'000
------------------------------	------------------------------------	---------------------------	----------------------------	--------------------------	------------------------

Non-Derivative Financial Liabilities

Deposits from Councils and Local Government

Bodies

386,181 (386,181) (303,829) (68,532) (13,820) -

Borrowings

228,698 (228,698) (203,698) - (25,000) -

Derivative Financial Liabilities

Interest Rate Swaps - Outflow

306,879 335,919 11,992 46,209 184,954 92,764

Interest Rate Swaps - Inflow

260,756 286,862 14,241 32,298 157,941 82,382

2015

Carrying Amount \$'000	Contracted Cash Flows \$'000	0 - 3 Months \$'000	3 - 12 Months \$'000	1 - 5 Years \$'000	> 5 Years \$'000
------------------------------	------------------------------------	---------------------------	----------------------------	--------------------------	------------------------

Non-Derivative Financial Liabilities

Deposits from Councils and Local Government

Bodies

443,510 (443,510) (405,400) (3,110) (35,000) -

Borrowings

210,784 (210,784) (210,784) - - -

Derivative Financial Liabilities

Interest Rate Swaps - Outflow

340,941 (388,378) (10,573) (48,192) (204,890) (124,723)

Interest Rate Swaps - Inflow

(305,486) 330,888 12,537 33,579 172,395 112,377

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

24 - Transactions with South Australian Government

The following expense transactions were undertaken during the financial year between the Authority and the South Australian Government:-

	2016 S'000	2015 S'000
Interest Paid - Short Term Money Market Facility	2,798	5,379
Interest Paid - Fixed Term Borrowings	439	104
Interest Paid - Promissory Notes	513	650
Fees for the Guarantee of the Treasurer of S.A. on Liabilities	1,214	1,293
Income Tax Equivalents Expense	1,868	1,688
Audit Fees	55	50
Payroll Tax	19	13

The following financial liabilities were outstanding at the end of the financial year between the Authority and the South Australian Government:-

	2016 S'000	2015 S'000
Short Term Money Market Facility	180,074	185,475
Promissory Notes	23,304	24,829
Fixed Term Borrowings	25,000	-
Interest Payable - Short Term Money Market Facility	232	415
Interest Payable - Promissory Notes	56	65
Interest Payable - Fixed Term Borrowings	32	-
Audit Fees	55	53

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

25 - Fair Value of Financial Instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Statement of Financial Position.

All Derivative Financial Instruments and Available-for-sale financial assets (Investment Securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of Net Loans and Advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The fair value of Other Assets and Other Liabilities is not required as the book value is a reasonable approximation of fair value.

(a) Fair value of Financial Assets and Financial Liabilities

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Investment Securities

The fair value of Floating Rate Capital Notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of Fixed Term Deposits held with Banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Net Loans and Advances

The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

Deposits from Councils and Prescribed Local Government Bodies

The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

Borrowings

The fair value is estimated using discounted cash flow analysis based on current market rates for borrowings having substantially the same terms and conditions.

Derivatives

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a credit adjusted zero coupon curve in accordance with AASB13 Fair Value Measurement.

		2016		2015	
		BOOK VALUE \$'000	FAIR VALUE \$'000	BOOK VALUE \$'000	FAIR VALUE \$'000
Financial Assets	Category (Note 2(b) Refer)				
Investment Securities	Available-for-Sale Financial Assets	1,318	1,318	1,478	1,478
Investment Securities	Loans and Receivables	40,809	41,289	50,861	50,968
Net Loans and Advances	Loans and Receivables	200,047	217,520	230,372	245,669
Net Loans and Advances	Fair Value Hedge	482,890	482,890	468,609	468,609
Financial Liabilities	Category (Note 2(b) Refer)				
Deposits from Councils and Prescribed Bodies	Financial Liabilities at Amortised Cost	386,180	386,765	443,510	444,021
Borrowings	Financial Liabilities at Amortised Cost	228,698	228,779	210,784	210,779
Derivatives	Fair Value Hedge	46,123	46,123	35,455	35,455

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

(b) Fair Value Hierarchy

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – fair values that reflect unadjusted quoted prices in active market for identical assets/liabilities.

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price).

Level 3 – fair values that are derived from data not observable in a market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investment Securities	1,318	41,289	-	42,607
Net Loans and Advances	-	700,410	-	700,410
Financial Liabilities				
Deposits from Councils and Prescribed Bodies	-	386,765	-	386,765
Borrowings	-	228,779	-	228,779
Derivatives	-	46,123	-	46,123
2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investment Securities	1,478	50,968	-	52,446
Net Loans and Advances	-	714,278	-	714,278
Financial Liabilities				
Deposits from Councils and Prescribed Bodies	-	444,021	-	444,021
Borrowings	-	210,779	-	210,779
Derivatives	-	35,455	-	35,455

Certification of the financial statements

We certify that the:

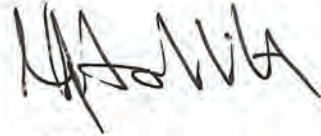
- financial statements of the Local Government Finance Authority of South Australia:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Local Government Finance Authority of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



AM Pederick
Chairman



PA Slater
Chief Executive Officer



GC Hollitt
Manager Corporate Services

13 September 2016



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**To the Chairman of the Board of Trustees
Local Government Finance Authority of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 33(2) of the *Local Government Finance Authority Act 1983*, I have audited the accompanying financial report of the Local Government Finance Authority of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer and the Manager Corporate Services.

The Board of Trustees responsibility for the financial report

The Board of Trustees are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

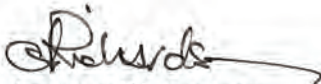
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Trustees, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Local Government Finance Authority of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

21 September 2016

Lotteries Commission of South Australia

Financial report
for the year ended
30 June 2016

Lotteries Commission of South Australia

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Employee benefits expenses	4	875	1 617
Supplies and services	6	514	676
Master Agent fee	7	57 124	53 437
Amortisation expense	8	43	30
Total expenses		58 556	55 760
Income			
Sales revenue	10	463 917	441 658
Cost of sales	11	406 794	388 221
Gross margin		57 123	53 437
Other revenues	12	5	47
Total income		57 128	53 484
Net cost of providing services		1 428	2 276
Revenues from SA Government			
Revenues from SA Government	13	-	3 300
Net result		(1 428)	1 024
Other comprehensive income			
Items that will not be reclassified to net result			
Remeasurements of Defined Benefit Plan		-	-
Total other comprehensive income		-	-
Total comprehensive result		(1 428)	1 024

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

Lotteries Commission of South Australia

STATEMENT OF FINANCIAL POSITION as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	14	49 585	49 382
Receivables	15	4 884	5 714
Total current assets		<u>54 469</u>	<u>55 096</u>
Non-current assets			
Property, plant and equipment	16	112	152
Receivables	15	1 693	364
Total non-current assets		<u>1 805</u>	<u>516</u>
Total assets		<u>56 274</u>	<u>55 612</u>
Current liabilities			
Payables	17	21 193	25 789
Employee benefits	18	274	318
Other current liabilities	19	16 458	15 037
Total current liabilities		<u>37 925</u>	<u>41 144</u>
Non-current liabilities			
Payables	17	5 137	901
Employee benefits	18	17	13
Other non-current liabilities	19	12 855	11 786
Total non-current liabilities		<u>18 009</u>	<u>12 700</u>
Total liabilities		<u>55 934</u>	<u>53 844</u>
Net assets		<u>340</u>	<u>1 768</u>
Equity			
Retained earnings		340	1 768
Total equity		<u>340</u>	<u>1 768</u>

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 20

Contingent assets and liabilities 21

The above statement should be read in conjunction with the accompanying notes.

Lotteries Commission of South Australia

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2014	744	744
Net Result for 2014-15	1 024	1 024
Remeasurements of Defined Benefit Plan	-	-
Total comprehensive result for 2014-15	1 024	1 024
Balance at 30 June 2015	1 768	1 768
 Net result for 2015-16	 (1 428)	 (1 428)
Total comprehensive result for 2015-16	(1 428)	(1 428)
Balance at 30 June 2016	340	340

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

The above statement should be read in conjunction with the accompanying notes.

Lotteries Commission of South Australia

STATEMENT OF CASH FLOWS for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash outflows			
Prizes paid		(273 177)	(264 177)
Payments to suppliers and employees		(1 215)	(3 428)
Master Agent fee payments		(66 242)	(62 204)
GST paid to the Australian Taxation Office		(7 483)	(7 105)
Payments for paid parental leave		(9)	(12)
Distribution to the Hospitals Fund and Recreation and Sport Fund			
• Gambling tax	22	(75 578)	(71 894)
• Unclaimed prizes	22	(2 713)	(2 696)
Cash used in operations		(426 417)	(411 516)
Cash inflows			
Receipts from customers		426 611	411 023
SA Government subsidy		-	3 300
Receipts for paid parental leave		12	12
Cash generated from operations		426 623	414 335
Net cash provided by (used in) operating activities	23	206	2 819
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(3)	-
Net cash provided by (used in) investing activities		(3)	-
Net increase (decrease) in cash and cash equivalents		203	2 819
Cash and cash equivalents at the beginning of the financial year		49 382	46 563
Cash and cash equivalents at the end of the financial year	14	49 585	49 382

The above statement should be read in conjunction with the accompanying notes.

Lotteries Commission of South Australia

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Lotteries Commission of South Australia

NOTES TO THE FINANCIAL STATEMENTS

1. Establishment and function of the Lotteries Commission of South Australia

The Lotteries Commission of South Australia (the Commission), is established under the *State Lotteries Act 1966*, with the primary function of promoting and conducting lotteries in South Australia.

Tatts Lotteries SA Pty Ltd (Tatts) operates the Commission's brands and products, as the appointed Master Agent for a term expiring in December 2052. It is required to provide the Commission with all information relevant to its performance as Master Agent and for the proper operation of the agency arrangement.

The terms and conditions of the appointment and on-going operations of the Master Agent are governed by a number of Transaction Documents.

The Commission, in its capacity as principal, monitors Tatts' compliance with the Transaction Documents and retains the power to instruct Tatts to comply with its obligations under those documents.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission'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 Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, receivables and payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature;
 - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and Note 6). (The term *Consultant* is defined in Accounting Policy Framework APF II *General Purpose Financial Statements Framework*, APS 4.6.);
 - (c) employee targeted voluntary separation package information;
 - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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; and
 - (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

Lotteries Commission of South Australia

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes all transactions processed through the Lotteries Fund which is established under section 16(1) of the *State Lotteries Act 1966*. Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

(d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(e) Rounding

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

(f) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

Goods and Services Tax (GST)

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the Australian Taxation Office (ATO). The GST on NGR is treated as a cost of sales.

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; and
- receivables and payables which are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis.

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

(g) Income

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

Lotteries Commission of South Australia

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

Note 26 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66, The Pools and Set for Life is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratch tickets is recognised as tickets are sold.
- Revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

(h) Expenses

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

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

Note 26 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Cost of sales expenses

Cost of sales expenses include actual prizes paid, gambling tax on net gambling revenue, agents' commission and GST on net gambling revenue and are recognised in the reporting period in which the sales revenue is recognised.

Employee benefits expenses

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

Superannuation

Superannuation expenses charged to the Statement of Comprehensive Income represent:

- Contributions made by the Commission to the superannuation plan in respect of current employees;
- Defined benefits accrued during the reporting period; and
- Remeasurements of the Defined Benefit Plan.

Note 2(n) provides further details.

Supplies and services

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

Depreciation and amortisation of non-current assets

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

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

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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 remaining useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

(i) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. 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 assets and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(j) Assets

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

Note 26 discloses receivables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes the Commission's cash on hand and deposits held at call, and cash held by Tatts on behalf of the Commission for game related obligations. These are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

The Commission's bank account is held with the Commonwealth Bank of Australia in an At Call Deposit account.

Cash held by Tatts for game related obligations on behalf of the Commission is held with Westpac Banking Corporation.

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

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

All game related receivables are administered by Tatts on behalf of the Commission.

Sundry receivables

Sundry receivables are generally receivable within 14 -30 days and are carried at amounts due.

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

GST receivable from Master Agent

As detailed in note 2(f), the Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue direct to the ATO. The Master Agent calculates and forwards the GST on a monthly basis for the Commission to remit directly to the ATO.

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Prize settlements receivable from Blocs

Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, The Pools and Set for Life are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

All game related prize settlements receivable from Blocs are administered by Tatts on behalf of the Commission.

Non-current asset acquisition, recognition and disposal

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

All non-current assets with a value of \$10,000 or more are capitalised.

Assets listed in the Business Assets Sales Deed were purchased by Tatts. The consideration paid for these assets formed part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

Revaluation of non-current assets

All non-current tangible assets are valued at fair value and revaluation of non-current assets is only performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Commission does not currently have any assets that meet this revaluation criteria.

Impairment

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

(k) Liabilities

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

Note 26 discloses payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

Payables include creditors, accrued expenses, prizes payable, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

All game related payables are administered by Tatts on behalf of the Commission.

Creditors and accrued expenses

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 Commission.

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

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward on to eligible employees via the Commission's payroll process. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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.

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Prizes payable

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratch tickets and minor Keno prizes, on the date of sale or draw. Division 1 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratch tickets and Set for Life prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

All prizes payable are administered by Tatts on behalf of the Commission.

Employment on-costs

Employment on-costs include superannuation contributions, payroll tax and WorkCover levies with respect to outstanding liabilities for salaries, long service leave, annual leave and skills and experience retention entitlements. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

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.

The Commission makes contributions to the 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.

Salaries, annual leave, skills and experience retention entitlement and sick leave

The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention entitlement liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The estimated liability for long service leave is based on expected future salary levels, experience of employee departures and periods of service.

The portion of the long service leave liability classified as current represents the amount that is expected to be paid as leave taken or paid on termination of employment during the Commission's normal operating cycle.

Prize Reserve Funds

The liability for prize reserve funds are amounts set aside from entry fees to fund future prizes and promotions for all draw based games. Refer Note 19 for individual game breakdown.

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Distribution of funds to Government

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR;
- making allowances for operating and capital expenses;
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund;
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries; and
- retaining funds for certain designated purposes.

Gambling tax is paid from the Lotteries Fund by Tatts on behalf of the Commission to the State.

In accordance with the provisions of the *State Lotteries Act 1966* the transfer of funds to the Hospitals Fund was reflected in the financial statements in the form of:

- (i) a gambling tax of 41 per cent on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries;
- (ii) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 22.

(l) Special Appeal Lotteries

Section 13AB of the *State Lotteries Act 1966* enables the Commission to conduct Special Appeal Lotteries. Tatts is to do all things necessary to assist the Commission to conduct Special Appeal Lotteries and will receive compensation in accordance with the Master Agency Agreement and the Treasurer's Agency Fees Guarantee and Payment Deed.

No Special Appeal Lotteries were conducted during the financial year.

(m) Operating leases

The Commission has an accommodation lease agreement for its office. In respect of this operating lease, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased asset.

The Commission is responsible for maintaining any improvements that it makes and repairing any damage to the premises caused by staff, contractors or visitors.

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

(n) Superannuation

The Commission had an established superannuation plan for its employees, the Lotteries Commission of South Australia Superannuation Plan (the Plan), a sub-plan of the Mercer Super Trust. The Plan provided lump sum benefits on retirement, death, disablement and withdrawal. During the 2013-14 financial year the Commission determined to wind up the Plan in 2014-15. The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and employees' entitlements transferred to an accumulation fund of their choice.

The calculation for the expense for the 2014-15 year for the defined benefit section of the Plan was determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited). The report was dated 19 June 2015.

Actuarial gains and losses are recognised in full, in the period in which they occur, and are recognised in Other Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

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The Commission also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and the Commission's obligation is limited to these contributions.

(o) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating expenditures arising from contractual sources and are disclosed at their nominal value.

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

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

(p) Insurance

The Commission has arranged, through the SA Government Captive Insurance Corporation (SAICORP), a division of the South Australian Government Financing Authority (SAFA) to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

(q) Events after the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, and those events provide information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements. Note disclosure is made where there is a material impact on the results of subsequent years.

3. New and revised Accounting Standards and policies

The Commission did not voluntarily change any of its accounting policies in 2015-16.

Accounting Policy Framework

In accordance with amendments to Accounting Policy Statement II *General Purpose Financial Statements Framework*, effective for the year ended 30 June 2015, the Commission is no longer considered a for-profit entity. Accordingly the 2015-16 Financial Statements and comparatives have been prepared on a not-for-profit basis (refer note 2(a)).

The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

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4. Employee benefits expenses

	2016 \$'000	2015 \$'000
Salaries	650	964
TVSPs (refer below)	64	-
Annual leave	62	124
Long service leave	14	80
Skills and experience retention leave	1	4
Commission members' fees	-	37
Employment on-costs - other	19	47
Employment on-costs - superannuation contributions	65	90
Contributions to defined benefit plan	-	271
Total employee benefits expenses	875	1 617

Targeted voluntary separation packages (TVSPs)

	2016 \$'000	2015 \$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	64	-
Annual leave, long service leave and skills and experience retention leave paid to those employees	23	-
	87	-
Recovery received from the Department of Treasury and Finance (DTF)	-	-
Net cost to the Commission	87	-

The number of employees who received TVSPs during the reporting period was one (zero).

Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, TVSP payments, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$0.201 million (\$0.651 million).

	2016 No.	2015 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$185 001 - \$190 000	-	1
\$200 001 - \$205 000	1	-
\$465 001 - \$470 000	-	1
Total number of employees	1	2

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5. Key management personnel

(a) Commission members

Commission Member terms expired on 30 June 2015 and were not renewed after the *Statutes Amendment (Boards and Committees - Abolition and Reform) Act 2015* abolished the Commission effective from 1 July 2015. A single Commissioner was appointed on 23 July 2015.

For the 2014-15 year the following persons held the position of member of the Commission:

W R Jackson, BEc, FASA Presiding Member (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)
 J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM (10 July 2014 to 31 December 2014)*
 A Cadd B.Acc, AdvDipBA, MBA(Adv) (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)*
 L Hart BEc (Hons), GradDipAppFin(SecInst), GAICD (15 January 2015 to 30 June 2015)*

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

(b) Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, salary sacrifice benefits, fringe benefits tax and professional indemnity insurance paid on behalf of Commission members.

	2016 No.	2015 No.
The number of Commission members whose remuneration received or receivable falls within the following bands:		
\$0 to \$9 999	-	3
\$40 000 to \$49 999	-	1
Total number of Commission members	-	4
	2016 \$'000	2015 \$'000
The total remuneration received or receivable by Commission members was:	-	42

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

(c) Other key management personnel

The key management personnel are the senior management team (including the Commissioner) who have responsibility for the direction and management of the Commission. For the 2014-15 year, key management personnel also included the Commission Members. Commission Member terms expired on 30 June 2015.

The senior management team comprised the following persons for the full financial year unless otherwise stated:

D G Hardy LLB, BA GDLP - Commissioner
 P Marsden, BComm, CPA - Finance Manager

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(d) Other key management personnel compensation

	2016 \$'000	2015 \$'000
The compensation of key management personnel included in employee benefits expenses (refer note 4) is as follows:		
Short-term employee benefits	259	406
Post-employment benefits	61	117
Long-term employee benefits	7	7
Termination Benefits	-	301
Total key management personnel compensation	327	831

6. Supplies and services

	2016 \$'000	2015 \$'000
Operating leases	157	150
Internal audit fees	145	131
External audit fees	70	135
Computing and Communications	60	82
Other	49	92
Other occupancy costs	33	34
Consultancies	-	52
Total supplies and services	514	676

Consultancies

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

	2016 No.	2015 No.	2016 \$'000	2015 \$'000
Below \$10 000	-	1	-	1
\$10 000 to \$50 000	-	-	-	-
Above \$50 000	-	1	-	51
Total paid/payable to consultants engaged	-	2	-	52

7. Master Agent fee

	2016 \$'000	2015 \$'000
Gross sales	463 918	441 658
less prizes	279 959	268 206
less gambling tax on NGR	75 423	71 115
less GST on NGR	16 724	15 768
Gross Master Agent fee (including Agents' commissions)	91 812	86 569
less Agents' commissions	34 688	33 132
Net Master Agent fee	57 124	53 437

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products. Under clause 8.3 of the Master Agency Agreement, the Master Agent remits the amount of the Master Agent fee less Agents' commissions to an account nominated by the Master Agent.

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8. Amortisation expense

	2016 \$'000	2015 \$'000
Amortisation		
Leasehold improvements	43	30
Total amortisation	<u>43</u>	<u>30</u>

9. Auditor's remuneration

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	70	135
Total audit fees	<u>70</u>	<u>135</u>

The Auditor-General is the auditor of the Commission.

Other Services

No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in Note 6.

10. Sales revenue

	2016 \$'000	2015 \$'000
Saturday X Lotto	136 891	147 855
Keno	112 907	109 183
Powerball	72 506	72 005
Oz Lotto	56 066	45 012
Instant Scratch tickets	32 415	32 382
Monday and Wednesday X Lotto	31 049	33 776
Set for Life	20 650	-
Super 66	933	938
The Pools	500	507
Total sales revenue	<u>463 917</u>	<u>441 658</u>

Sales revenue includes Agents' commissions.

11. Cost of sales

	2016 \$'000	2015 \$'000
Prizes	279 959	268 206
Gambling tax on net gambling revenue	75 423	71 115
Agents' commissions	34 688	33 132
GST on net gambling revenue paid to the ATO	16 724	15 768
Total cost of sales	<u>406 794</u>	<u>388 221</u>

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12. Other revenues

	2016 \$'000	2015 \$'000
Reimbursements from Master Agent	-	21
Sundry	5	26
Total other revenues	5	47

13. Revenues from SA Government

	2016 \$'000	2015 \$'000
Revenues from SA Government	-	3 300
Total revenues from SA Government	-	3 300

The Commission is funded by a subsidy from the SA Government.

14. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Deposits held at call and cash on hand	666	2 163
Funds held by the Master Agent	48 919	47 219
Total cash and cash equivalents	49 585	49 382

In accordance with clause 7 of the Master Agency Agreement, Tatts hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission assigned all of its rights, title and interest to future interest earnings on the Lotteries Fund to the Master Agent. The consideration for the assignment of interest was included in the aggregate consideration paid by Tatts for the transaction to the State.

Interest rate risk

Deposits held at call and cash on hand are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

15. Receivables

	2016 \$'000	2015 \$'000
Current		
Retail Agent debtors	2 564	946
Prize settlements receivable from Blocs	1 772	4 226
GST Receivable from Master Agent	541	533
Sundry receivables	4	5
Prepayments	3	4
Total current receivables	4 884	5 714
Non-current		
Receivable from Master Agent	1 693	364
Total non-current receivables	1 693	364
Total receivables	6 577	6 078

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Interest Rate Risk

All receivables are non-interest bearing.

Credit Risk

Credit risk represents the loss that would be recognised if parties owing monies to the Commission at the reporting date fail to honour their obligations. It is not anticipated that parties will fail to discharge their obligations. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent.

Net Fair Values

The carrying amount of receivables approximates net fair value due to being receivable on demand.

16. Property, plant and equipment

	2016 \$'000	2015 \$'000
Plant and equipment		
Plant and equipment at cost (deemed fair value)	11	101
Accumulated depreciation	(11)	(101)
Total plant and equipment	<u>-</u>	<u>-</u>
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	185	182
Accumulated amortisation	(73)	(30)
Total leasehold improvements	<u>112</u>	<u>152</u>
Total property, plant and equipment	<u>112</u>	<u>152</u>

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2015-16 and 2014-15.

	Work-in- progress \$'000	Leasehold improve- ments \$'000	Total \$'000
Carrying amount at 1 July 2015	-	152	152
Additions	-	3	3
Assets derecognised (including disposals)	-	-	-
Transfers	-	-	-
Depreciation and amortisation	-	(43)	(43)
Carrying amount at 30 June 2016	<u>-</u>	<u>112</u>	<u>112</u>
Carrying amount at 1 July 2014	182	-	182
Additions	-	-	-
Assets derecognised (including disposals)	-	-	-
Transfers	(182)	182	-
Depreciation and amortisation	-	(30)	(30)
Carrying amount at 30 June 2015	<u>-</u>	<u>152</u>	<u>152</u>

Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2016.

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17. Payables

	2016 \$'000	2015 \$'000
Current		
Prizes payable	14 752	19 515
Undistributed funds (note 22)	4 985	5 277
GST payable	413	446
Creditors and accrued expenses	1 011	515
Employment on-costs	32	36
Total current payables	<u>21 193</u>	<u>25 789</u>
Non-current		
Prizes payable	5 135	900
Employment on-costs	2	1
Total non-current payables	<u>5 137</u>	<u>901</u>
Total payables	<u>26 330</u>	<u>26 690</u>

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave expected to be taken as leave has changed from the 2015 rate of 37% to 40% and the rate for the calculation of employer superannuation on-costs has also changed from the 2015 rate of 10.3% to 10.2%. These rates are used in the employment on-cost calculation.

Interest rate and credit risk

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

18. Employee benefits

	2016 \$'000	2015 \$'000
Current		
Annual leave	123	136
Long service leave	141	174
Skills and experience retention entitlement	-	1
Accrued salaries and wages	10	7
Defined benefit superannuation plan liability (note 25 (b))	-	-
Total current employee benefits	<u>274</u>	<u>318</u>
Non-Current		
Long service leave	17	13
Total non-current employee benefits	<u>17</u>	<u>13</u>
Total employee benefits	<u>291</u>	<u>331</u>

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19. Other liabilities

	2016 \$'000	2015 \$'000
Current		
Prize Reserve Funds (a)	11 339	10 821
Keno Prize Reserve (b)	2 158	1 405
Monday and Wednesday X Lotto Division 1 Prize Reserve (c)	1 007	894
Set for Life Division 1 Prize Reserve (d)	(307)	-
Unearned revenue - sales in advance	2 261	1 917
Total current other liabilities	<u>16 458</u>	<u>15 037</u>
Non-current		
Unclaimed prizes reserve (e)	12 855	11 786
Total non-current other liabilities	<u>12 855</u>	<u>11 786</u>
Total other liabilities	<u>29 313</u>	<u>26 823</u>

(a) Prize Reserve Funds

Balance at 1 July	10 821	8 162
Allocated to prize reserve funds	13 239	13 270
Applied to additional or increased prizes	(12 721)	(10 611)
Balance at 30 June	<u>11 339</u>	<u>10 821</u>

An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66, The Pools and Set for Life is set aside to accumulate as the Prize Reserve Fund for each game in accordance with the respective Game Rules. These funds are applied from time to time for the payment of additional or increased prizes in subsequent lotteries or prizes in respect of missed prize entries for previous lottery draws.

(b) Keno Prize Reserve

Opening balance	1 405	2 532
Allocated to prize reserve	82 031	79 341
Applied to prizes	(81 278)	(80 468)
Balance at 30 June	<u>2 158</u>	<u>1 405</u>

The Keno Prize Reserve is funded by a portion of net sales (gross sales less Agents' commissions) to meet the Keno prizes won. The above information has been provided by Tatts Lotteries SA Pty Ltd.

(c) Monday and Wednesday X Lotto Division 1 Prize Reserve

Balance at 1 July	894	3 365
Allocated to prize reserve	5 630	5 689
Applied to prizes	(5 517)	(8 160)
Balance at 30 June	<u>1 007</u>	<u>894</u>

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by 20% of net sales (gross sales less Agents' commissions) to meet the Division 1 prize until 3 April 2016. From 4 April 2016 onwards the percentage was 18%.

Lotteries Commission of South Australia

	2016 \$'000	2015 \$'000
(d) Set for Life Division 1 Prize Reserve		
Balance at 1 July	-	-
Allocated to prize reserve	3 854	-
Applied to prizes	(4 161)	-
Balance at 30 June	<u>(307)</u>	<u>-</u>

In accordance with the Game Rules, the Set for Life Division 1 Prize Reserve was funded by 20% of net sales (gross sales less Agents' commissions) to meet the Division 1 prize which comprises the amount of \$4.8m paid in monthly instalments, over 20 years, for up to 4 winners.

(e) Unclaimed Prizes Reserve		
Balance at 1 July	11 786	10 318
Unclaimed monies forfeited	5 417	5 410
Balance before distributions	<u>17 203</u>	<u>15 728</u>
Monies provided for distribution to the Hospitals Fund	(2 708)	(2 704)
Monies provided for distribution to the Recreation and Sport Fund	(1)	(1)
Applied to additional or increased prizes in subsequent lottery draws, prizes in promotional lotteries or ex gratia payments	<u>(1 639)</u>	<u>(1 237)</u>
Balance at 30 June	<u>12 855</u>	<u>11 786</u>

Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to the Commission and transferred into the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay:

- 50 per cent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund; and
- 50 per cent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies the Commission that they are a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has expired.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 per cent of the ex gratia payment, depending on the game played.

The Unclaimed Prizes Reserve is administered by Tatts on behalf of the Commission and must only be disbursed in accordance with approvals given by the Commission.

Lotteries Commission of South Australia

20. Unrecognised contractual commitments

	2016 \$'000	2015 \$'000
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	156	151
Later than one year but not longer than five years	256	412
Total operating lease commitments	412	563
	2016 \$'000	2015 \$'000
<i>Representing:</i>		
Non-cancellable operating leases	412	563

The Commission's operating lease relates to office accommodation leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services unit. The five year lease is non-cancellable with a five year right of renewal. Rental provisions within the lease agreement require future lease payments to be increased by 3.25% per annum. The initial lease term expires on 31 January 2019.

	2016 \$'000	2015 \$'000
Other commitments		
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	160	200
Later than one year but not longer than five years	115	5
Total other commitments	275	205

Master Agent Fee

The Commission's commitments include a monthly Master Agent fee payable to Tatts for a term of 40 years commencing 11 December 2012. No amounts payable by the Commission to the Master Agent are disclosed as the fee is based on a formula which is contingent on gross sales, prizes, gambling tax on net gambling revenue, Agents' commissions and GST on net gambling revenue. The amount is paid on a monthly basis.

21. Contingent assets and liabilities

The Commission is not aware of any contingent assets or contingent liabilities.

The Commission has made no guarantees.

Lotteries Commission of South Australia

22. Distribution of funds to SA Government

	Balance 1 July \$'000	Distribution		Balance 30 June \$'000
		Provided \$'000	(Paid) \$'000	
Gambling tax	5 143	75 290	(75 578)	4 855
Unclaimed prizes	134	2 709	(2 713)	130
Totals 2015-16	5 277	77 999	(78 291)	4 985
Totals 2014-15	6 047	73 820	(74 590)	5 277

Comprising:

Distribution to Hospitals Fund

Gambling tax	5 130	75 180	(75 466)	4 844
Unclaimed prizes	134	2 708	(2 712)	130
Totals	5 264	77 888	(78 178)	4 974

Distribution to Recreation and Sport Fund

Gambling tax	13	110	(112)	11
Unclaimed prizes	-	1	(1)	-
Totals	13	111	(113)	11

23. Cash flow reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	49 585	49 382
Balance as per the Statement of Cash Flows	49 585	49 382
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by (used in) operating activities	206	2 819
Less: Revenues from SA Government	-	(3 300)
Less: Unclaimed prizes distribution provided	2 709	2 705
Add (less): non-cash items		
Depreciation and amortisation expense	(43)	(30)
Increase (decrease) in carrying value of defined benefit superannuation plan net liability	-	219
Movement in assets / liabilities		
Increase(decrease) in receivables	499	2 021
(Increase)decrease in payables (including undistributed funds)	360	(5 378)
(Increase)decrease in employee benefits	40	169
(Increase)decrease in other liabilities	(5 199)	(1 501)
Net cost of providing services	(1 428)	(2 276)

Lotteries Commission of South Australia

24. Financial risk management

The Commission is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and a corporate policy approved by the Commission.

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature in more than 12 months.

The Commission's exposure to cash flow interest risk is minimal.

The Commission's exposure to credit risk is minimal. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by Tatts as the Master Agent. It is not anticipated that parties will fail to discharge their obligations. The Commission has policies and procedures in place to ensure that transactions occur with parties with appropriate credit history.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. The Commission has consistent and stable cash flows from the SA Government, which means its exposure to liquidity risk is minimal. The Commission's exposure to liquidity risk is insignificant based on current expectations regarding risk.

25. Superannuation

(a) Description of significant events

The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and the employee's entitlements transferred to an accumulation fund of their choice. This is considered a "settlement" under AASB 119.

The amount transferred for each member from the defined benefit assets to employees' accumulation account balances was the deferred leaving service benefit. As the transfer amount was equal to the present value of the defined benefit obligation, determined at 30 September 2014, the transfer has not resulted in any settlement gains or losses.

(b) Reconciliation of the net defined benefit (liability)/asset

	2016 \$'000	2015 \$'000
Net defined benefit (liability)/asset at start of year	-	(219)
Current service cost	-	(115)
Net interest	-	-
Past service cost	-	-
Actual return on plan assets less interest income	-	(64)
Actuarial losses (gains) arising from changes in financial assumptions	-	-
Actuarial losses (gains) arising from liability experience	-	(118)
Employer contributions	-	516
Net defined benefit asset/(liability) at end of year	-	-

Lotteries Commission of South Australia

(c) Reconciliation of the fair value of plan assets

	2016 \$'000	2015 \$'000
Fair value of plan assets at beginning of financial year	-	4 106
Interest income	-	19
Actual return on Plan assets less interest income	-	(64)
Employer contributions	-	516
Contributions by plan participants	-	9
Benefits paid	-	-
Taxes, premiums and expenses paid	-	(181)
Transfers in	-	-
Settlements	-	(4 405)
Fair value of plan assets at end of financial year	-	-

(d) Reconciliation of the defined benefit obligation

	2016 \$'000	2015 \$'000
Present value of defined benefit obligation at beginning of financial year	-	4 325
Current service cost	-	115
Interest cost	-	19
Contributions by plan participants	-	9
Actuarial losses (gains) arising from changes in financial assumptions	-	-
Actuarial losses (gains) arising from liability experience	-	118
Benefits paid	-	-
Taxes, premiums and expenses paid	-	(181)
Transfers in	-	-
Past service cost	-	-
Settlements	-	(4 405)
Present value of defined benefit obligation at end of financial year	-	-

(e) Significant actuarial assumptions at the reporting date

	2016	2015
Assumptions to determine defined benefit cost		
Discount rate	-	3.50% pa
Expected salary increase rate	-	3.00% pa
Assumptions to determine defined benefit obligation (DBO)		
Discount rate	n/a	n/a
Expected salary increase rate	n/a	n/a

Lotteries Commission of South Australia

26. Transactions with SA Government

As required by APS 4.1 of Accounting Policy Framework II *General Purpose Financial Statements Framework*, the following table discloses revenues, expenses, receivables and payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
EXPENSES						
4. Employee benefits expenses	45	165	830	1 452	875	1 617
6. Supplies and services						
External audit fees	70	135	-	-	70	135
Operating leases	157	150	-	-	157	150
Internal audit fees	-	-	145	131	145	131
Computing and Communications	46	58	14	24	60	82
Other	8	18	41	74	49	92
Consultancies	-	-	-	52	-	52
Other occupancy costs	-	1	33	33	33	34
Total supplies and services	281	362	233	314	514	676
7. Master Agent fee	-	-	57 124	53 437	57 124	53 437
TOTAL EXPENSES (excluding depreciation and amortisation and net loss from disposal of non-current assets)	326	527	58 187	55 203	58 513	55 730
INCOME						
10. Sales revenue	-	-	463 917	441 658	463 917	441 658
11. Cost of sales						
Prizes	-	-	(279 959)	(268 206)	(279 959)	(268 206)
Gambling tax on NGR	(75 423)	(71 115)	-	-	(75 423)	(71 115)
Agents' commissions	-	-	(34 688)	(33 132)	(34 688)	(33 132)
GST on NGR paid to the ATO	-	-	(16 724)	(15 768)	(16 724)	(15 768)
Total cost of sales	(75 423)	(71 115)	(331 371)	(317 106)	(406 794)	(388 221)
12. Other revenues	5	12	-	35	5	47
13. Revenues from SA Government	-	3 300	-	-	-	3 300
TOTAL INCOME (excluding net gain from disposal of non-current assets)	(75 418)	(67 803)	132 546	124 587	57 128	56 784
15. Receivables						
Current						
Prize settlements receivable from Blocs	-	-	1 772	4 226	1 772	4 226
Agent debtors	-	-	2 564	946	2 564	946
Sundry receivables	4	5	541	533	545	538
Prepayments	3	4	-	-	3	4
Total current receivables	7	9	4 877	5 705	4 884	5 714
Non-current						
Receivables from Master Agent	-	-	1 693	364	1 693	364
Total non-current receivables	-	-	1 693	364	1 693	364
Total receivables	7	9	6 570	6 069	6 577	6 078

Lotteries Commission of South Australia

Note	SA Government		Non-SA Government		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
17. Payables						
Current						
Creditors and accrued expenses	86	141	925	374	1 011	515
Prizes payable	-	-	14 752	19 515	14 752	19 515
GST payable	-	-	413	446	413	446
Undistributed funds	4 985	5 277	-	-	4 985	5 277
Employment on-costs	32	30	-	6	32	36
Total current payables	5 103	5 448	16 090	20 341	21 193	25 789
Non-current						
Prizes payable	-	-	5 135	900	5 135	900
Employment on-costs	2	1	-	-	2	1
Total non-current payables	2	1	5 135	900	5 137	901
Total payables	5 105	5 449	21 225	21 241	26 330	26 690

Certification of the financial statements 2015-16

We certify that the attached general purpose financial statements for the Lotteries Commission of South Australia:

- are in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- comply with relevant Treasurer's instructions; and
- comply with relevant Australian Accounting Standards; and
- present a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2016 and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Lotteries Commission of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



David Hardy
Commissioner
14 September 2016



Lesa Lum
Senior Management Accountant
14 September 2016

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

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To the Commissioner Lotteries Commission of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Senior Management Accountant.

The responsibility of the Commissioner for the financial report

The Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

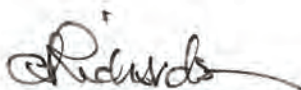
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Lotteries Commission of South Australia's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

19 September 2016

Motor Accident Commission

Financial report
for the year ended
30 June 2016

**MOTOR ACCIDENT COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

		CTP		MAC	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Premium revenue	5	458,275	432,744	458,275	432,744
Outwards reinsurance expense		(2,834)	(3,087)	(2,834)	(3,087)
Net premium		455,441	429,657	455,441	429,657
Claims expense	6	(140,157)	(122,080)	(140,157)	(122,080)
Reinsurance and other recoveries	5	(1,415)	1,096	(1,415)	1,096
Net claims	24	(141,572)	(120,984)	(141,572)	(120,984)
Unexpired risk expense	10	16,168	9,157	16,168	9,157
Other underwriting expenses	7	(124,610)	(113,426)	(124,387)	(113,332)
Contributions	8	(12,000)	-	(12,000)	-
Underwriting profit (loss)		193,427	204,404	193,650	204,498
Investment revenue	5	50,136	55,755	49,759	55,482
Other revenue	5	-	-	6	(10)
Investment management fee		(8,572)	(8,491)	(8,572)	(8,491)
Net investment revenue		41,564	47,264	41,193	46,981
Net Result before market value movements		234,991	251,668	234,843	251,479
Investment market value movements	5	78,564	173,114	78,564	173,114
Net result		313,555	424,782	313,407	424,593
Total comprehensive result		313,555	424,782	313,407	424,593

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		CTP		MAC	
		2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash	28	15,216	25,680	16,661	26,680
Receivables	9	3,459	7,233	3,482	7,323
Reinsurance and other recoveries receivable	11	1,667	2,187	1,667	2,187
Other financial assets	12	440,300	187,299	440,300	187,299
Assets held for sale	14	587,900	-	587,900	-
Prepayments		-	15,810	-	15,810
Other assets	13	-	348	-	348
Total Current Assets		1,048,542	238,557	1,050,010	239,647
Non-Current Assets					
Receivables	9	500	500	-	-
Reinsurance and other recoveries receivable	11	6,190	8,660	6,190	8,660
Other financial assets	12	1,481,961	2,031,408	1,481,961	2,031,408
Investment property	15	-	603,750	-	603,750
Property, plant and equipment	16	-	-	478	755
Total Non-Current Assets		1,488,651	2,644,318	1,488,629	2,644,573
Total Assets		2,537,193	2,882,875	2,538,639	2,884,220
Current Liabilities					
Payables	17	5,102	9,189	5,243	9,055
Unearned income	18	-	144,758	-	144,758
Premiums held for other entities	19	120,126	-	120,126	-
Outstanding claims	20	323,232	361,850	323,234	361,852
Unexpired risk liability	10	-	1,455	-	1,455
Provisions	22	11,413	9,900	11,790	10,352
Total Current Liabilities		459,873	527,152	460,393	527,472
Non-Current Liabilities					
Unearned income	18	-	1,712	-	1,712
Outstanding claims	20	1,389,096	1,516,129	1,389,161	1,516,191
Unexpired risk liability	10	-	14,713	-	14,713
Provisions	22	-	-	875	829
Total Non-Current Liabilities		1,389,096	1,532,554	1,390,036	1,533,445
Total Liabilities		1,848,969	2,059,706	1,850,429	2,060,917
Net Assets		688,224	823,169	688,210	823,303
Equity					
Retained earnings		688,224	823,169	688,210	823,303
Total Equity		688,224	823,169	688,210	823,303

The Total Equity is attributable to the SA Government as owner.

Commitments	26
Contingent assets and liabilities	30

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities				
Cash receipts from CTP insurance premiums	472,278	479,800	472,278	479,800
Other cash receipts in the course of operations	1,711	2,318	1,717	2,308
Cash payments in settlement of claims	(328,327)	(353,539)	(328,327)	(353,539)
Rescue Retrieval & Aviation Services Base contribution	(12,000)	-	(12,000)	-
Other cash payments in the course of operations	(128,174)	(119,532)	(127,712)	(119,038)
Interest and other investment income	310,700	764,346	310,727	764,376
GST paid to the ATO	(15,152)	(14,101)	(15,183)	(14,162)
Net Cash inflows/(outflows) from Operating Activities (Note 28)	301,036	759,292	301,500	759,745
Cash Flows from Investing Activities				
Payment for property, plant and equipment	-	-	(19)	(234)
Net Cash outflows from Investing Activities	-	-	(19)	(234)
Cash Flows from Financing Activities				
Return of capital	(448,500)	(852,900)	(448,500)	(852,900)
Net Cash outflows from Financing Activities	(448,500)	(852,900)	(448,500)	(852,900)
Net change in cash held	(147,464)	(93,608)	(147,019)	(93,389)
Cash at the beginning of the year	184,661	278,269	185,661	279,050
Cash at the end of the year (Notes 2(q), 28)	37,197	184,661	38,642	185,661

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	CTP \$'000	MAC \$'000
Retained Earnings at 30 June 2014		1,251,287	1,251,610
Total Comprehensive Result for 2014/15		424,782	424,593
Return of capital for 2014/15		(852,900)	(852,900)
Retained Earnings at 30 June 2015		823,169	823,303
Total Comprehensive Result for 2015/16		313,555	313,407
Return of capital	25	(448,500)	(448,500)
Balance as at 30 June 2016		688,224	688,210

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

The above statement should be read in conjunction with the accompanying notes.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION

During the year ended 30 June 2016, the principal activities of the Motor Accident Commission (MAC and / or the Commission) were:

- (a) The sole provider and underwriter of Compulsory Third Party (CTP) insurance in South Australia; and
- (b) The leader in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behavior.

Effective 1 July 2016, the SA Government has opened the provision of CTP insurance in South Australia to the private sector. Accordingly MAC will no longer have a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date. However, MAC will continue its role as Nominal Defendant and run off its claims against policies issued up to and including 30 June 2016.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

MAC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial report has been prepared with MAC being treated as a Not for Profit entity. The financial report contains consolidated financial statements for MAC and the MAC CTP Fund (CTP) for the year ended 30 June 2016. The financial statements of MAC and the MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and comply with Treasurer's Instructions (TI) and accounting policy statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

In the interest of public accountability and transparency, the accounting policy statements require the following note disclosure, which have been included in this financial report:

- i) *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;*
- ii) *expenses incurred as a result of engaging consultants;*
- iii) *employees whose normal remuneration is equal to or greater than the base executive remuneration (within \$10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and*
- iv) *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.*

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2016. Refer to Note 3.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for Other financial assets, Investment properties and Assets held for sale which are valued in accordance with the valuation policy applicable.

(b) Premium Revenue

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

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

(c) Investment Income

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

(d) Outwards Reinsurance

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

(e) Claims

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

- i) *CTP Claims* - The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

- ii) *Other Claims* - In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

(f) Reinsurance and Other Recoveries Receivable

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

(g) Unexpired Risk

AASB 1023 'General Insurance Contracts' requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries.

In order to meet the Liability Adequacy Test (LAT), additional provisioning was included in 2014/15 at a probability of sufficiency of 80%.

(h) Collection Charges

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

MOTOR ACCIDENT COMMISSION
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(i) Levies and Charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the Licence Fee payable to Revenue SA.

(j) Receivables

i) Trade Debtors

Trade debtors principally relate to premiums collected by the Department for Planning, Transport & Infrastructure (DPTI), an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

ii) Investment Debtors

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) Other Financial Assets

AASB1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

i) Unit Trusts

The bulk of MAC's investment portfolio is held with Funds SA, the SA State Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

ii) Property Securities

By market quotations.

iii) Other Investments

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

(l) Investment Properties

Investment Properties are properties which are held for long term rental yields or for capital appreciation or both. 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 properties. Revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Employee Benefits

A liability for employee benefits has been accrued at 30 June 2016.

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, SERL and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(m) Employee Benefits (continued)

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 measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

Superannuation

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

(n) Taxation

MAC is an income tax exempt organisation pursuant to Section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rates.

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 Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST which is payable to the ATO is disclosed separately.

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 commitment and contingencies are disclosed on a gross basis.

(o) Property, Plant and Equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost (a proxy for fair value) and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

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

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

Asset Class	Depreciation Method	Depreciation Rate
Plant and equipment	Diminishing Value	20%
Building fitout	Straight Line	Over the remaining useful life.
Other	Straight Line	10%

**MOTOR ACCIDENT COMMISSION
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FOR THE YEAR ENDED 30 JUNE 2016**

(p) Payables

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

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

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

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

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

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

(q) Cash

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

(r) Provision for Incentive Payments

Liabilities for payment of incentives to Allianz have been accrued at 30 June 2016. Payment of these incentives is based on Allianz's performance in reducing the cost of claims over the 2015/16 financial year, compared to benchmarks in accordance with the terms of the CTP Services Contract.

(s) Rounding

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

(t) Interest in a Jointly Controlled Property

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

(u) Events after the Reporting Date

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised, where an event occurs after 30 June and before 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.

3 CHANGES IN ACCOUNTING POLICIES

The Commission did not voluntarily change any of its accounting policies during the year.

Except for AASB 2015-7 which MAC has early adopted, Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2016. MAC has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

4 NET RESULT

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Net result is arrived at after crediting and charging the following specific items:				
Credits				
Interest received/receivable	2,313	9,625	2,340	9,655
Charges				
Amounts set aside to provide for:				
- Employee benefits	-	-	215	267
- Depreciation of property, plant and equipment	-	-	290	127

5 REVENUE

Premium revenue				
- Direct	458,275	432,744	458,275	432,744
	458,275	432,744	458,275	432,744
Reinsurance and other recoveries				
- Other	(1,415)	1,096	(1,415)	1,096
	(1,415)	1,096	(1,415)	1,096
Investment revenue				
- Interest	2,313	9,625	2,340	9,655
- Rentals	45,734	45,814	45,330	45,511
- Profit/(loss) – investments realised	2,089	316	2,089	316
	50,136	55,755	49,759	55,482
Investment market value movements – unrealised gains/(losses)				
- Fixed Interest	34,056	27,549	34,056	27,549
- Equities	(5,592)	99,917	(5,592)	99,917
- Properties	(16,730)	2,014	(16,730)	2,014
- Other	66,830	43,634	66,830	43,634
	78,564	173,114	78,564	173,114
Other revenue				
- Foreign exchange gains/(losses)	-	-	(2)	(10)
- Other	-	-	8	-
	-	-	6	(10)
	585,560	662,709	585,189	662,426

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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6 CLAIMS EXPENSE

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Claims paid*	305,808	327,346	305,808	327,346
Claims provision adjustment	(185,532)	(147,561)	(185,532)	(147,561)
Adjustment for economic assumptions	19,881	(57,705)	19,881	(57,705)
	140,157	122,080	140,157	122,080

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

Ambulance and helicopter rescue services	6,095	6,095
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7 OTHER UNDERWRITING EXPENSES

Management expenses *	50,677	53,143	50,454	53,049
Levies and charges **	62,433	48,783	62,433	48,783
Collection charges **	11,500	11,500	11,500	11,500
	124,610	113,426	124,387	113,332

* Management expenses include supplies and services paid or payable to SA Government entities as follows:

Corporate support services	225	230
Road safety supplies & services	2,198	2,031

** In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

8 CONTRIBUTIONS

Rescue Retrieval & Aviation Services Base	12,000	-	12,000	-
	12,000	-	12,000	-

In 2015-16, MAC and SA Health entered into a Memorandum of Administrative Arrangement (MoAA) for MAC to provide \$12 million in funding less any amounts previously expended by MAC for this project. The payment was required by the Treasurer pursuant to sections 25(5)(d) and 26(2) of the Motor Accident Commission Act 1992. Payment was made to the Department of Health and Ageing in the 2015-16 financial year.

MOTOR ACCIDENT COMMISSION
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FOR THE YEAR ENDED 30 JUNE 2016

9 RECEIVABLES	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade debtors	2,729	4,131	2,744	4,146
Other debtors	-	-	7	74
	2,729	4,131	2,751	4,220
Investment debtors	892	3,102	893	3,103
Allowance for Doubtful Debts	(162)	-	(162)	-
	730	3,102	731	3,103
Total Current Receivables	3,459	7,233	3,482	7,323
Non-Current				
Payroll Advance	500	500	-	-
Total Non-Current Receivables	500	500	-	-
Total Receivables	3,959	7,733	3,482	7,323

Investment debtors consists of interest and rent due on investments.

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

Movement in the allowance for doubtful debts

Carrying amount at beginning of year	-	-	-	-
Increase in the allowance	(162)	-	(162)	-
Amounts written off	-	-	-	-
Amounts recovered during the year	-	-	-	-
Carrying amount at end of year	(162)	-	(162)	-

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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10 UNEXPIRED RISK LIABILITY

AASB 1023 requires a Liability Adequacy Test (LAT) which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

Effective 1 July 2016, MAC no longer has a role as provider of CTP insurance policies in South Australia. Accordingly no expected future claims relating to the unexpired risk period of unearned premium exist as at 30 June 2016. The assessment undertaken by the Actuaries as at 30 June 2016 is therefore nil.

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Central estimate of present value of future claims	-	112,100	-	112,100
Risk margin	-	18,200	-	18,200
Other expenses	-	16,800	-	16,800
Present value of expected future claims	-	147,100	-	147,100
Unearned premium liability	-	146,470	-	146,470
Related reinsurance asset	-	272	-	272
Prepaid licence fees	-	(15,810)	-	(15,810)
	-	130,932	-	130,932
Unexpired risk liability	-	16,168	-	16,168

The Liability Adequacy Test (LAT) is no longer required to be met as at 30 June 2016. However as at 30 June 2015, additional provisioning for the premium liability was included at a probability of sufficiency of 80% which resulted in a risk margin of 14.1%. This risk margin was based on MAC's claims experience and the Actuaries knowledge of industry practice for CTP insurance portfolios which they considered were appropriate for MAC. As MAC has only one class of insurance, no allowance was been made for diversification of insurance classes.

Unexpired Risk Liability

Opening balance	16,168	25,325	16,168	25,325
Unexpired risk expense	(16,168)	(9,157)	(16,168)	(9,157)
Closing balance	-	16,168	-	16,168
Unexpired risk liability				
- Current	-	1,455	-	1,455
- Non-current	-	14,713	-	14,713
Total liability	-	16,168	-	16,168

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

11 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Expected future recoveries (undiscounted)	8,423	11,901	8,423	11,901
Discount to present value *	(566)	(1,054)	(566)	(1,054)
Reinsurance and other recoveries receivable	7,857	10,847	7,857	10,847
Reinsurance and other recoveries receivable				
- Current	1,667	2,187	1,667	2,187
- Non-current	6,190	8,660	6,190	8,660
	7,857	10,847	7,857	10,847

*Refer to Note 20(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12 OTHER FINANCIAL ASSETS

	CTP		MAC	
	2016	2015	2016	2015
Current	\$'000	\$'000	\$'000	\$'000
Fixed interest				
- Cash and deposits	21,981	158,981	21,981	158,981
- Cash - Unit trust	17,889	13,797	17,889	13,797
- Fixed interest - Unit trust	111,026	14,521	111,026	14,521
Equities				
- Australian equities - Unit trust	37,489	-	37,489	-
- International equities - Unit trust	36,545	-	36,545	-
Other				
- Absolute return - Unit trust	7,037	-	7,037	-
- MAC infrastructure - Unit trust	33,534	-	33,534	-
- MAC diversified strategies income - Unit trust	174,800	-	174,800	-
Total Current Other Financial Assets	440,300	187,299	440,300	187,299
Non-Current				
Fixed interest				
- Cash - Unit trust	63,376	-	63,376	-
- Fixed interest - Unit trust	393,326	711,547	393,326	711,547
Equities				
- Australian equities - Unit trust	132,810	219,757	132,810	219,757
- International equities - Unit trust	129,466	216,174	129,466	216,174
Other				
- Absolute return - Unit trust	24,928	34,660	24,928	34,660
- Internal inflation linked - Unit trust	-	55,281	-	55,281
- MAC infrastructure - Unit trust	118,799	133,855	118,799	133,855
- MAC diversified strategies income - Unit trust	619,255	660,134	619,255	660,134
Total Non-Current Other Financial Assets	1,481,961	2,031,408	1,481,961	2,031,408
Total Other Financial Assets	1,922,261	2,218,707	1,922,261	2,218,707

13 OTHER ASSETS

Rescue Retrieval & Aviation Services Base	-	348	-	348
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During 2014/15, the MAC Board agreed to fund the establishment of an emergency medical retrieval service facility on leased land at the Adelaide Airport to a value of approximately \$12.0 million. Work on the project commenced during 2014/15 and the amount brought to account reflected work in progress to that date. In 2015/16, under the direction of the Treasurer, MAC transferred the remaining funding and responsibility for construction of the building to the SA Health via a MoAA. Further detail is included at Note 8.

MOTOR ACCIDENT COMMISSION
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14 ASSETS HELD FOR SALE

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Direct property portfolio	587,900	-	587,900	-
	587,900	-	587,900	-

Properties previously held as Investment properties were reclassified as Non-current Assets held for Sale due to changes in the MAC Charter which required MAC to transition to a higher weight of defensive assets whilst achieving a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due. Expressions of interest in the sale closed on 11 July 2016.

Non-current assets held for sale recognised in the Statement of Financial Position as at 30 June 2016 are classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

During the year, Non-current Assets Held for Sale were reclassified from Investment properties. Amounts were recognised in the Statement of Comprehensive Income for rental income and direct property expenses for these Investment Properties. Commitments under non-cancellable operating leases were also receivable on these properties. Further details in relation to these amounts are included in the Investment Property Note 15.

MOTOR ACCIDENT COMMISSION
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15 INVESTMENT PROPERTY

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At fair value				
Balance at 1 July	603,750	599,500	603,750	599,500
Capitalised subsequent expenditure	880	2,236	880	2,236
Net (loss)/gain from fair value adjustments	(16,730)	2,014	(16,730)	2,014
Reclassification to assets held for sale	(587,900)	-	(587,900)	-
Balance at 30 June	-	603,750	-	603,750

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. MAC categorises non-financial assets measured at fair value into the hierarchy based on the level of inputs use in measurement.

Fair value measurements for Investment property recognised in the Statement of Financial Position are classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

Valuation basis

Valuation techniques used to derive level 2 fair values are detailed as follows. There were no changes in valuation techniques during 2016. 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 properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

Amounts recognised in the Statement of Comprehensive Income for investment property

Rental income	58,731	60,165	58,327	59,862
Direct operating expenses	(12,997)	(14,351)	(12,997)	(14,351)
Total amount recognised	45,734	45,814	45,330	45,511

Leasing arrangements

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

Not later than one year	50,968	49,422	50,968	49,422
Later than one year but no later than five years	156,113	171,554	156,113	171,554
Later than five years	62,747	74,559	62,747	74,559
	269,828	295,535	269,828	295,535

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Provisions within the lease agreements typically require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. We have utilised the calculations provided by our valuers to determine the commitments under non-cancellable operating leases as at 30 June 2016. In determining those figures, our valuers have based their figures consistent with AASB117.

MOTOR ACCIDENT COMMISSION
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16 PROPERTY, PLANT AND EQUIPMENT	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Building Fitout	-	-	1,012	1,012
Accumulated depreciation	-	-	(611)	(337)
	-	-	401	675
Plant and equipment	-	-	105	115
Accumulated depreciation	-	-	(56)	(60)
	-	-	49	55
Other	-	-	38	31
Accumulated depreciation	-	-	(10)	(6)
	-	-	28	25
Total Property Plant and Equipment	-	-	478	755
Building Fitout				
Carrying amount at beginning of year	-	-	675	559
Additions	-	-	-	228
Depreciation	-	-	(274)	(112)
Carrying amount at end of year	-	-	401	675
Plant and equipment				
Carrying amount at beginning of year	-	-	55	61
Additions	-	-	12	6
Disposals	-	-	(6)	-
Depreciation	-	-	(12)	(12)
Carrying amount at end of year	-	-	49	55
Other				
Carrying amount at beginning of year	-	-	25	28
Additions	-	-	7	-
Depreciation	-	-	(4)	(3)
Carrying amount at end of year	-	-	28	25

17 PAYABLES

Current

Creditors and accruals	5,102	9,189	5,243	9,055
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MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

18 UNEARNED INCOME	CTP		MAC	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Unearned premium	-	144,758	-	144,758
Total Current Unearned Income	-	144,758	-	144,758
Non-Current				
Unearned premium	-	1,712	-	1,712
Total Non-Current Unearned Income	-	1,712	-	1,712
Total Unearned Income	-	146,470	-	146,470

Effective 1 July 2016, the provision of CTP insurance policies in South Australia will be provided by four approved private insurers. Accordingly MAC no longer has an entitlement to premiums collected but not yet earned. These unearned premiums are payable to the four new insurers and the South Australian CTP Insurance Regulator. Therefore as at 30 June 2016, these amounts have been reclassified as Premiums held for Other Entities as detailed in Note 19.

19 PREMIUMS HELD FOR OTHER ENTITIES

Premiums held for other entities	120,126	-	120,126	-
Total Premiums held for other entities	120,126	-	120,126	-

The Treasurer has directed that payment of \$105.0 million of the amount held for other entities will be made to the Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. The remainder is payable on such dates and in such instalments as notified to MAC by the Department of Treasury and Finance.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

20 OUTSTANDING CLAIMS

a) Expected future claims payments (undiscounted)	1,597,929	1,810,059	1,597,996	1,810,123
Risk margin applied (undiscounted)	217,551	239,088	217,551	239,088
Discount to present value - central estimate	(90,737)	(151,065)	(90,737)	(151,065)
Discount to present value - risk margin applied	(12,415)	(20,103)	(12,415)	(20,103)
Liability for outstanding claims	1,712,328	1,877,979	1,712,395	1,878,043
Current	323,232	361,850	323,234	361,852
Non-current	1,389,096	1,516,129	1,389,161	1,516,191
Liability for outstanding claims	1,712,328	1,877,979	1,712,395	1,878,043

On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

Old Scheme	789,287	1,170,578	789,287	1,170,578
New Scheme	923,041	707,401	923,041	707,401
Non-CTP	-	-	67	64
Liability for outstanding claims	1,712,328	1,877,979	1,712,395	1,878,043

b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:

For the succeeding year				
- Inflation rate	5.25%	5.50%	5.25%	5.50%
- Discount rate	1.80%	2.50%	1.80%	2.50%
For subsequent years				
- Inflation rate	5.25%	5.50%	5.25%	5.50%
- Discount rate	1.80%	2.50%	1.80%	2.50%

c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:

	3.2 years	3.4 years	3.2 years	3.4 years
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The method of calculating outstanding claims is set out in detail in Note 2(e).

The claims provision for the Compulsory Third Party Fund as at 30 June 2016 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuaries to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 14% (2015: 13%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20 OUTSTANDING CLAIMS (continued)

Sensitivity analysis

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty attached to:

- a) the actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the Lifetime Support Scheme (LSS) from 1 July 2014. The key risks include:
 - estimating the claims frequency and the number of claim settlements; and
 - estimating the impact of tort reform on the ultimate cost of claims.
- b) large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience;
- c) future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

Change in Model parameters

	Impact on Provision	
	%	\$'000
Change in Valuation Assumption:		
For accidents from 1 July 2010 to 30 June 2013:		
- average size of attritional claims increased by 15%	2.2	37,600
- average size of large claims increased by 18%	4.0	67,700
For accidents after 30 June 2013:		
- number of claims involving a settlement decreased by 25%	(9.8)	(166,700)
- average size of attritional claims increased by 15%	6.6	112,000
- average size of large claims increased by 18%	1.8	31,400
Number of large claims increased by 7% to 136	0.4	6,800
Discount rate increased from 1.8% to 2.3% p.a.	(1.5)	(26,400)
Discount rate decreased from 1.8% to 1.3% p.a.	1.6	27,300
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	2.9	49,300
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(2.8)	(47,100)

MOTOR ACCIDENT COMMISSION
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20 OUTSTANDING CLAIMS (continued)

Claims Development

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net ultimate claims cost estimate											
At end of accident year	382,329	426,940	444,156	459,249	483,650	492,426	514,693	400,476	338,287	330,164	
One year later	386,338	394,295	426,282	458,570	469,417	488,162	461,742	373,095	288,914		
Two years later	378,015	397,754	433,527	440,122	466,825	432,909	429,302	317,260			
Three years later	380,349	397,925	411,612	426,006	429,090	423,085	387,443				
Four years later	383,684	394,421	408,503	400,245	409,690	402,730					
Five years later	369,627	383,942	366,346	353,942	386,992						
Six years later	361,341	355,010	335,156	343,210							
Seven years later	354,025	361,708	352,247								
Eight years later	343,858	362,534									
Nine years later	346,251										
Current est. of net ultimate claims cost	346,251	362,534	352,247	343,210	386,992	402,730	387,443	317,260	288,914	330,164	
Cumulative payments	(320,648)	(327,782)	(325,585)	(297,946)	(289,452)	(242,991)	(181,473)	(57,945)	(44,767)	(31,614)	
Net undiscounted claims liability for the ten most recent accident years	25,603	34,752	26,662	45,264	97,540	159,739	205,970	259,315	244,147	298,550	1,397,542
Discount to present value	(1,532)	(2,033)	(1,378)	(2,336)	(4,933)	(8,408)	(10,434)	(14,351)	(13,782)	(21,410)	(80,597)
Net discounted claims liability for the ten most recent accident years	24,071	32,719	25,284	42,928	92,607	151,331	195,536	244,964	230,365	277,140	1,316,945
Reconciliation											
Net discounted claims liability for accident years 2005/06 and prior											84,452
Claims handling expenses											97,938
Risk margin											205,136
Net outstanding claims liability											1,704,471
Gross outstanding claims liability on the statements of financial position											1,712,328
Reinsurance and other recoveries on outstanding claims liability											(7,857)
Net outstanding claims liability											1,704,471

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

Estimated timing of net cashflows

	Up to 1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	Later	Total
	year	years	years	years	years	years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Liabilities	321,564	937,421	362,325	66,466	15,515	1,179	1	1,704,471

**MOTOR ACCIDENT COMMISSION
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21 INSURANCE CONTRACTS RISK MANAGEMENT

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

Risk Management objectives and policies for mitigating insurance risk

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

Pricing

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and takes account of current market and Scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP Premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in economic factors (such as inflation and interest rates) and investment market volatility and directions by the Minister to charge premiums other than those recommended by the TPPC.

As MAC will cease writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

Reinsurance

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of "A -". MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

Claims management

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

MOTOR ACCIDENT COMMISSION
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21 INSURANCE CONTRACTS RISK MANAGEMENT (continued)

Investment management

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the Notes to the Accounts.

Risk reduction

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

22 PROVISIONS

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
Employee benefits				
- Annual leave	-	-	371	447
- SERL	-	-	6	5
Incentive payments	11,413	9,900	11,413	9,900
Total Current Provision	11,413	9,900	11,790	10,352
Non-Current				
Employee benefits				
- LSL	-	-	875	829
Total Non-Current Provisions	-	-	875	829
Total Provisions	11,413	9,900	12,665	11,181

AASB 119 Employee Benefits contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth bonds has decreased from 2015 (3%) to 2016 (2%).

The decrease in the bond yield, which is used as the rate to discount further long service leave cash flows, results in an increase in the reported long service liability.

The net financial effect of the changes in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long term discount rate.

**MOTOR ACCIDENT COMMISSION
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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(1) Categorisation of Financial Instruments

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in investment properties as detailed in notes 14 and 15 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active markets for identical assets and level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in inflation linked investment unit trusts as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price and level 3 assets being fair values that are not based on observable market data.

(2) Derivative Financial Instruments

Derivatives are defined as financial contracts whose value depend on, or are derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives, such as over the counter swap agreements, forward rate agreements, futures and options, to manage portfolio risks and to facilitate the implementation of effective investment strategies.

The fair values of all derivative positions as at 30 June 2016 are incorporated within the Statement of Financial Position.

(3) Foreign Exchange Risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedge 100% of this exposure back to Australian dollars. The Global Macro Absolute Return investment is denominated in Australian dollars, but the external fund manager takes active currency positions.

MOTOR ACCIDENT COMMISSION
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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from an Investment Asset Consultant. Furthermore, an Asset Liability Committee is in place to manage these risks.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
30 June 2016			
Financial Assets			
Cash and deposits	38,642	-	38,642
Receivables	-	3,482	3,482
Cash - Unit trust*	-	81,265	81,265
Fixed interest - Unit trust*	-	504,352	504,352
Australian equities - Unit trust*	-	170,299	170,299
International equities - Unit trust*	-	166,011	166,011
Other - Unit trust*	-	978,353	978,353
Total financial assets	38,642	1,903,762	1,942,404
Weighted average interest rate %	2.28%		
Financial Liabilities			
Creditors	-	5,243	5,243
Total financial liabilities	-	5,243	5,243
Net financial assets	38,642	1,898,519	1,937,161

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(4) Interest Rate Risk (continued)

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
30 June 2015			
Financial Assets			
Cash and deposits	185,661	-	185,661
Receivables	-	7,323	7,323
Cash - Unit trust*	-	13,797	13,797
Fixed interest - Unit trust*	-	726,068	726,068
Australian equities - Unit trust*	-	219,757	219,757
International equities - Unit trust*	-	216,174	216,174
Other - Unit trust*	-	883,930	883,930
Total financial assets	185,661	2,067,049	2,252,710
Weighted average interest rate %	2.70%		
Financial Liabilities			
Creditors	-	9,055	9,055
Total financial liabilities	-	9,055	9,055
Net financial assets	185,661	2,057,994	2,243,655

* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

Reconciliation of Net Financial Assets	2016 \$'000	2015 \$'000
Net Financial Assets	1,937,161	2,243,655
Add - Reinsurance and other recoveries receivable	7,857	10,847
- Prepayments	-	15,810
- Non-current Assets held for sale	587,900	-
- Investment property	-	603,750
- Property, plant and equipment	478	755
- Other assets	-	348
Less - Unearned income	-	(146,470)
- Premiums held for other entities	(120,126)	-
- Outstanding claims	(1,712,395)	(1,878,043)
- Unexpired risk provision	-	(16,168)
- Provisions	(12,665)	(11,181)
Net Assets	688,210	823,303

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(5) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers. MAC is not materially exposed to any individual counterparty.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on S&P's counterparty credit ratings.

30 June 2016	A1+	A1				
Short Term	Allocation %					
Cash	89.8	10.2				
Cash & Deposits	81.3	18.7				
	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term			Allocation %			
Fixed interest	74.6	25.4	-	-	-	-
Diversified strategies income	29.1	20.7	20.0	25.4	4.70	0.1
30 June 2015	A1+	A1				
Short Term	Allocation %					
Cash	83.5	16.5				
Cash & Deposits	95.6	4.4				
	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term			Allocation %			
Internal inflation linked (externally managed portion)	72.9	19.5	3.6	4.0	-	-
Fixed interest	74.4	25.6	-	-	-	-
Diversified strategies income	22.3	13.3	34.8	29.53	-	-

The MAC Cash portfolio is predominately comprised of highly liquid Floating Rate Deposits.

The MAC Fixed Interest Liability Matched portfolio is comprised of Australian Government and Semi Government Bonds.

The MAC Diversified Strategy Income (DSI) portfolio is predominantly invested in investment grade securities (rated BBB and above by S&P).

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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(6) Market Risk

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long term expectations over the short / medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and sub-markets and via an asset liability matching process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in Variable %	Financial Impact	
		2016 \$'000	2015 \$'000
Interest rates	(1.0)	60,906	66,946
	(0.5)	29,107	32,177
	0.5	(26,415)	(29,584)
	1.0	(50,139)	(56,575)

An interest rate change will inversely affect the values of fixed interest investments. This change is calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change.

Australian equity markets	(10)	(17,030)	(21,976)
	(5)	(8,515)	(10,988)
	(1)	(1,703)	(2,198)
	5	8,515	10,988
	10	17,030	21,976
International equity markets	(10)	(16,601)	(21,617)
	(5)	(8,301)	(10,809)
	(1)	(1,660)	(2,162)
	5	8,301	10,809
	10	16,601	21,617

Changes in Australian and International Equities markets will proportionally affect the values of the Australian and International Equity investments. The currency movement of the AUD will also have an impact on the International Equities portfolio.

MOTOR ACCIDENT COMMISSION
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23 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

(7) Liquidity and Cash Flow Risk

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

24 NET CLAIMS INCURRED

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	CTP 30-Jun-16			MAC 30-Jun-16		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	395,989	(323,848)	72,141	395,989	(323,848)	72,141
Reinsurance and other recoveries						
- undiscounted	(1,898)	3,801	1,903	(1,898)	3,801	1,903
Net claims incurred						
- undiscounted	394,091	(320,047)	74,044	394,091	(320,047)	74,044
Discount and discount movement						
- gross claims incurred	(26,296)	94,313	68,017	(26,296)	94,313	68,017
Discount and discount movement						
- reinsurance and other recoveries	114	(603)	(489)	114	(603)	(489)
Net discount movement	(26,182)	93,710	67,528	(26,182)	93,710	67,528
Net claims incurred	367,909	(226,337)	141,572	367,909	(226,337)	141,572

	30-Jun-15			30-Jun-15		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	407,312	(348,212)	59,100	407,312	(348,212)	59,100
Reinsurance and other recoveries						
- undiscounted	(2,672)	2,015	(657)	(2,672)	2,015	(657)
Net claims incurred						
- undiscounted	404,640	(346,197)	58,443	404,640	(346,197)	58,443
Discount and discount movement						
- gross claims incurred	(38,227)	101,206	62,979	(38,227)	101,206	62,979
Discount and discount movement						
- reinsurance and other recoveries	220	(658)	(438)	220	(658)	(438)
Net discount movement	(38,007)	100,548	62,541	(38,007)	100,548	62,541
Net claims incurred	366,633	(245,649)	120,984	366,633	(245,649)	120,984

MOTOR ACCIDENT COMMISSION
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25 RETURN OF CAPITAL

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Return of capital	448,500	852,900	448,500	852,900

During 2015/16, MAC made a payment of \$448.5 million to the State Government's Highway Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the Public Finance and Audit Act 1987. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the Motor Accident Commission Act 1992.

26 COMMITMENTS

Operational expenditure commitments

*Road Safety and Sponsorship expenditure **

Committed but not provided for and payable:

Not later than one year	2,458	2,515	2,458	2,515
Later than one year but no later than five years	2,995	776	2,995	776
	5,453	3,291	5,453	3,291

* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund currently expires on 30 June 2017. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

27 AUDITORS' REMUNERATION

Amounts received or due and receivable for auditing the accounts of MAC:

- Auditor-General's Department	104	105	115	117
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No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other underwriting expenses'. (refer to note 7)

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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28 CASH FLOW RECONCILIATION

	CTP		MAC	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
1) Reconciliation of cash				
Cash	15,216	25,680	16,661	26,680
Deposits at call	21,981	158,981	21,981	158,981
	37,197	184,661	38,642	185,661
2) Reconciliation of net cash inflows/(outflows) from operating activities				
Total comprehensive result	313,555	424,782	313,407	424,593
Add/(less) non-cash items:				
- Depreciation	-	-	290	127
- Loss/(profit) on disposal of assets	-	-	6	-
- (Profit) Loss on sale and revaluation to market value of investments	(78,726)	(173,430)	(78,726)	(173,430)
Increase in taxes payable and provisions	-	-	(35)	(62)
Net cash inflows/(outflows) from operating activities before changes in assets and liabilities	234,829	251,352	234,942	251,228
Change in assets and liabilities				
- (Inc)/dec in investments	256,394	705,768	256,394	705,768
- (Inc)/dec in other assets	348	(348)	348	(348)
- (Inc)/dec in receivables	17,347	3,281	17,654	3,964
- Inc/(dec) in payables and provisions	(18,877)	(2,227)	(18,836)	(2,345)
- Inc/(dec) in outstanding claims	(162,661)	(204,218)	(162,658)	(204,206)
- Inc/(dec) in unearned premium	(26,344)	5,684	(26,344)	5,684
Net cash (outflows)/inflows from operating activities	301,036	759,292	301,500	759,745

**MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

29 SUFFICIENT LEVEL OF SOLVENCY

Sub-section 14(3) of the *Motor Accident Commission Act 1992* defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a Sufficient Level of Solvency in the CTP Fund. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 21 June 2013 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a Sufficient Level of Solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

As at 30 June 2016, the Sufficient Solvency target was \$2,131.1 million (2015: \$2,383.0 million) which compares to the Fund's assets of \$2,537.2 million (2015: \$2,882.9 million) and this equates to 119.1% (2015: 121.0%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain Sufficient Solvency.

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$688.2m). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the CTP Fund.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2016;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

30 CONTINGENT ASSETS AND LIABILITIES

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

31 CONSULTANTS

The number and value of consultancies paid /payable that fell within the following bandwidths during the financial year were:

	MAC			
	2016		2015	
	Number	\$'000	Number	\$'000
Below \$10,000	9	57	7	27
Above \$10,000	20	4,000	19	4,211

32 DIRECTORS' REMUNERATION

The names of each person holding the position of director of MAC during the financial year are:

J H Brown (Retired 30 June 2016)	J T Hazel (Retired 30 June 2016)	A G Tisato (Appointed 1 July 2015)
K O Foley	R A Korotcoff	
W M Griggs	Y Sneddon (Retired 30 June 2016)	

	2016	2015
	\$'000	\$'000
Total remuneration paid or payable, or otherwise made available, to all directors of MAC from the Commission:	339	358

The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:

			Number	Number
\$0	-	\$9,999	-	2
\$30,000	-	\$39,999	3	-
\$40,000	-	\$49,999	2	1
\$50,000	-	\$59,999	1	4
\$70,000	-	\$79,999	1	-
\$80,000	-	\$89,999	-	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of the Premier & Cabinet circular No. 016, government employees did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

Superannuation and retirement benefits

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee Charge of \$29,000 (2015: \$31,000).

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

33 REMUNERATION OF EMPLOYEES

	2016	2015
	\$'000	\$'000
Salaries & Wages	4,601	4,911
LSL	168	211
Annual Leave	45	56
SERL	2	-
Employment on-costs - superannuation	385	464
Employment on-costs - other	282	330
Board & committee fees	340	359
Total employee remuneration expense	5,823	6,331

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

	Number	Number
\$145,001 - \$155,000	-	1
\$155,001 - \$165,000	1	1
\$165,001 - \$175,000	2	3
\$185,001 - \$195,000	1	-
\$225,001 - \$235,000	-	1
\$235,001 - \$245,000	1	1
\$245,001 - \$255,000	2	-
\$255,001 - \$265,000	-	1
\$265,001 - \$275,000	1	1
\$285,001 - \$295,000	-	1
\$295,001 - \$305,000	1	-
\$335,001 - \$345,000	-	1
\$345,001 - \$355,000	-	1
\$365,001 - \$375,000	1	-
Total number of employees	10	12

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.4 million (2015 \$2.8 million).

34 RELATED PARTIES

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year-end.

Directors' transactions with the Commission

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms' length basis.

MOTOR ACCIDENT COMMISSION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

35 EVENTS AFTER REPORTING DATE

The SA Government announced it has decided to open the provision of Compulsory Third Party (CTP) insurance to the private sector in South Australia from July 2016. As part of this initiative, MAC will end its role as the sole provider of CTP insurance in South Australia and this will allow MAC to cease writing new CTP insurance policies and run off its claims against policies issued up to and including 30 June 2016. Consequently this will allow MAC to pay an amount from its surplus net assets into the Highways Fund to invest in improving the safety of roads in South Australia.

MOTOR ACCIDENT COMMISSION CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Motor Accident Commission:

- 1 comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- 2 are in accordance with the accounts and records of the Commission; and
- 3 presents a true and fair view of the financial position of the Commission as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Motor Accident Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Signed in accordance with a resolution of the directors.


William (Bill) Griggs AM ASM
Chairman
Aaron Chia
Chief Executive Officer
Kathryn Govan FCPA / CSA
General Manager, Finance

Adelaide

Dated the 26th day of August 2016



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**To the Chairman of the Board of Directors
Motor Accident Commission**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the accompanying financial report of the Motor Accident Commission for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer and the General Manager, Finance.

The Board's responsibility for the financial report

The Board of Directors of the Motor Accident Commission are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Motor Accident Commission's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

19 September 2016

Museum Board

Financial report
for the year ended
30 June 2016

Museum Board
Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Expenses			
Staff benefits	4	8 379	7 703
Supplies and services	6	4 738	4 355
Accommodation and facilities	7	2 806	2 885
Depreciation and amortisation	8	2 087	2 080
Net loss from disposal of non-current assets	13	12	-
Grants		151	150
Total expenses		18 173	17 173
Income			
Grants	9	1 005	1 358
Fees and charges	10	551	503
Donations and bequests		875	428
Donations of heritage assets		2 881	1 437
Sponsorships	11	284	268
Interest and investment income	12	155	183
Resources received free of charge	14	619	534
Recoveries		133	230
Net gain from the disposal of non-current assets	13	-	247
Sale of goods		1 315	1 262
Other income	15	448	354
Total Income		8 266	6 804
Net cost of providing services		9 907	10 369
Revenues from SA Government			
Recurrent operating grant		10 691	10 508
Capital grant		765	563
Total revenues from SA Government		11 456	11 071
Net result		1 549	702
Other comprehensive income:			
<i>Items that will not be reclassified to net result</i>			
Change in asset revaluation surplus	19	(78 794)	-
Total other comprehensive income		(78 794)	-
Total comprehensive result		(77 245)	702

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

Museum Board
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash	24	3 824	4 596
Receivables	16	916	590
Inventories		119	106
Total current assets		4 859	5 292
Non-current assets			
Receivables	16	10	3
Property, plant and equipment	17	39 553	40 730
Intangibles	18	89	104
Heritage collections	19	288 141	364 056
Investments	20	1 662	782
Total non-current assets		329 455	405 675
Total assets		334 314	410 967
Current liabilities			
Payables	21	977	764
Staff benefits	22	1 028	917
Provisions	23	6	8
Total current liabilities		2 011	1 689
Non-current liabilities			
Payables	21	152	125
Staff benefits	22	1 646	1 395
Provisions	23	12	20
Total non-current liabilities		1 810	1 540
Total liabilities		3 821	3 229
Net assets		330 493	407 738
Equity			
Asset revaluation surplus		191 704	270 498
Retained earnings		138 789	137 240
Total equity		330 493	407 738

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 25

Contingent assets and liabilities 26

The above statement should be read in conjunction with the accompanying notes.

Museum Board
Statement of Changes in Equity
for the year ended 30 June 2016

	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2014	270 498	136 538	407,036
Net result for 2014-15	-	702	702
Total comprehensive result for 2014-15	-	702	702
Balance at 30 June 2015	270 498	137 240	407 738
Net result for 2015-16	-	1 549	1 549
Changes in asset revaluation surplus	(78 794)	-	(78 794)
Total comprehensive result for 2015-16	(78 794)	1 594	(77 245)
Balance at 30 June 2016	191 704	138 789	330 493

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

The above statement should be read in conjunction with the accompanying notes.

Museum Board
Statement of Cash Flows
for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Cash outflows			
Staff benefits		(7 984)	(7 781)
Supplies and services		(3 980)	(3 975)
Accommodation and facilities		(2 806)	(2 885)
Grants		(151)	(150)
GST payments to the ATO		(137)	(90)
Cash used in operations		(15 058)	(14 881)
Cash inflows			
Grant contributions		1 005	1 416
Fees and charges		551	503
Donations and bequests		875	428
Sponsorships		184	234
Interest and investment income		137	187
Recoveries		133	230
Sale of goods		1 506	1 471
Other		224	354
Cash generated from operations		4 615	4 823
Cash flows from SA government			
Recurrent operating grant		10 691	10 508
Capital grant		765	563
Cash generated from SA government		11 456	11 071
Net cash provided by operating activities		1 013	1 013
Cash flows from investing activities			
Cash outflows			
Purchases of heritage collections		(10)	(57)
Purchases of property, plant and equipment and intangibles		(895)	(394)
Purchases of investments		(880)	(1 211)
Cash used in investing activities		(1 785)	(1 662)
Cash inflows			
Proceeds from sale of investments		-	1 655
Cash generated from investing activities		-	1 655
Net cash used in investing activities		(1 785)	(7)
Net increase/(decrease) in cash and cash equivalents		(772)	1 006
Cash and cash equivalents at the beginning of the period		4 596	3 590
Cash and cash equivalents at the end of the period	24	3 824	4 596

The above statement should be read in conjunction with the accompanying notes.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

- 1 Objectives of the Museum Board
- 2 Summary of significant accounting policies
- 3 New and revised accounting standards and policies
- 4 Staff benefits
- 5 Remuneration of board and committee members
- 6 Supplies and services
- 7 Accommodation and facilities
- 8 Depreciation and amortisation
- 9 Grants
- 10 Fees and charges
- 11 Sponsorships
- 12 Interest and investment income
- 13 Net gain/(loss) from the disposal of non-current assets
- 14 Resources received free of charge
- 15 Other income
- 16 Receivables
- 17 Property, plant and equipment
- 18 Intangible Assets
- 19 Heritage collections
- 20 Investments
- 21 Payables
- 22 Staff benefits
- 23 Provisions
- 24 Cash and cash equivalents
- 25 Unrecognised contractual commitments
- 26 Contingent assets and liabilities
- 27 Financial instruments/financial risk management
- 28 Events after balance date

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

1 Objectives of the Museum Board

Objectives

The functions of the Museum Board (the board), as prescribed under the South Australian Museum Act 1976, are as follows:

- to undertake the care and management of the Museum;
- to manage the premises of the board;
- to carry out, or promote, research into matters of scientific and historical interest;
- to accumulate and care for objects and specimens of scientific or historical interest;
- to accumulate and classify data in regard to any such matters;
- to disseminate information of scientific or historical interest;
- to advise the Minister on matters relating to scientific or historical research or collections; and
- to carry out any other functions assigned to the board by this or any other Act or the Minister.

2 Summary of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the board is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the board'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 APS issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the APS require the following note disclosures, which have been included in this financial report:
 - a) expenses incurred as a result of engaging consultants
 - b) staff targeted voluntary separation package information
 - c) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
 - 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.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

(c) Reporting entity

The financial statements and accompanying notes cover the board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the South Australian Museum Act 1976.

The board's consolidated financial statements have been prepared by combining the financial statements of the Museum Board, SA Museum Foundation Incorporated and the SA Museum Foundation Fund in accordance with AASB 10 Consolidated Financial Statements.

In forming the view that the SA Museum Foundation Incorporated and SA Museum Foundation Fund (the entities) are controlled, the board considered its involvement with the entities and determined that its substantive rights give them the current ability to direct the major relevant activities of the entities and is exposed or has rights to variable returns from its involvement, contributing to the furtherance of the board's objectives.

The activities of the entities are not material and therefore a full consolidated presentation has not been adopted.

Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

(d) Sources of funds

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

(e) Income and expenses

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

Income

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the board obtains control over the grants. Bequests, donations and sponsorships are recognised as an asset and income when the board obtains control or obtains the right to receive the bequest, donation or sponsorship and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Donated heritage collections received by the board are recognised as income in the Statement of Comprehensive Income in the year of receipt at fair value.

Resources received free of charge

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

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the board's heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 14) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of the Department of State Development, financial services and human resource services are provided free of charge to the board. The value of these services is recognised as resources received free of charge in income (note 14) and a corresponding amount included as a business services charge in supplies and services (note 6).

Net gain on 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 has been determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Staff benefits expense

Staff benefits expense includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

(f) Current and non-current classification

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

(g) Cash

Cash in the Statement of Financial Position includes cash at bank, cash on hand and short term cash deposits with Hood Sweeney.

Cash is measured at nominal value.

(h) Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

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

(i) Investments

Investments are brought to account at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1.

(j) Inventories

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

(k) Non-current asset acquisition and recognition

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

All non-current assets with a value of \$10,000 or greater are capitalised.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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.

(I) Valuation of non-current assets

All non-current assets are held at fair value and a 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.

Land and buildings and heritage collections are re-valued every 6 years. However, if at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current 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 revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrement is recognised as an expense, except to the extent that it offsets a previous revaluation increase of the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Land and buildings

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2014 by certified independent valuer Valcorp Australia Pty Ltd.

Plant and equipment

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

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 board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Heritage collections

The board's collections were revalued as at 30 June 2016 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These valuations were undertaken by Aon Risk Solutions.

The collections were broadly valued on the following basis:

Collection	Method of valuation
Heritage collections	Market approach
Natural history collections	Cost approach

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Heritage collection status applies to those collections where an established market exists.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition.

Heritage collections deemed to have market value are Australian Aboriginal ethnology, foreign ethnology, Australian polar collection, social/industrial history collection, mineralogy, museum library, archives/artworks, rare books and public programs.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, marine invertebrates, malacology, ichthyology, palaeontology, arachnology, entomology, ornithology, the Australian helminthological collection, archaeology, mammalogy and herpetology.

The public programs collection is a new collection which was valued for the first time in the 30 June 2016 valuation. This collection consists of both the Waterhouse Art Prize collection and the ANZANG nature photography collection.

The valuations of heritage collections deemed to have market value were carried out by the following recognised industry experts:

Collection	Industry expert
Australian Aboriginal ethnology	D Davidson
Foreign ethnology	D Davidson
Australian polar collection	H Miller & P Tinslay
Mineralogy	J Alford
Archives	H Miller & P Tinslay
Museum library	P Tinslay
Public Programs	H Miller
Social/Industrial History	J Munroe

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology and secret sacred material.

The foreign archaeology collection was not included in the 30 June 2016 valuation. This collection will be revalued separately in 2016-17.

(m) Impairment of assets

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For re-valued assets an impairment loss is offset against the revaluation surplus.

(n) Depreciation/amortisation of non-current assets

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

All property, plant and equipment and intangibles, having a limited useful life, are systematically depreciated/ amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

Land is not depreciated.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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

Class of asset	Useful life (years)
Buildings and improvements	15-100
Plant and Equipment	
Exhibition	10
Other	3-25
Computer Equipment	3-5
Intangibles	5-10

Exhibitions with a life of less than one year are expensed.

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

(o) Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

(p) Staff benefits

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

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

Salaries, wages, annual leave and SERL

Liabilities for salaries, wages, annual leave and skills and experience retention leave have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

On-costs

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

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Superannuation

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

(q) Workers compensation provision

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2016 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation.

(r) Leases

The board has entered into a number of operating lease agreements for accommodation and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

(s) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific Accounting Standards and/or Accounting Policy Statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable to do so.

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

(t) Taxation

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are separate registered GST entities for taxation purposes.

The Museum Board is a deductible gift recipient member of the Arts SA GST Group. GST relating to the activities of the Museum Board are not recognised as a receivable/payable in the Statement of Financial Position as Arts SA is responsible for the remittance and collection of GST on behalf of the GST group.

The board is liable for payroll tax and the emergency services levy.

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are not subject to income tax.

Income, expenses, assets and liabilities are recognised net of the amount of GST. The amount of GST incurred by the board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable by the SA Museum Foundation Incorporated and the SA Museum Foundation Fund is disclosed in note 16.

(u) Events occurring after the reporting date

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

Museum Board
Notes to and forming part of the financial statements
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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.

(v) State Government funding

The financial statements are presented under the assumption of ongoing financial support being provided to the board by the State Government.

(w) Rounding

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

(x) Insurance

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

(y) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

The board did not voluntarily change any of its accounting policies during 2015-16.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

4 Staff benefits

	2016	2015
	\$'000	\$'000
Salaries and wages	6 194	5 935
Long service leave	371	243
Annual leave	522	480
Skills and experience retention leave	36	31
Staff on-costs - superannuation	674	629
Staff on-costs - other	353	330
Board fees	22	18
Other staff related expenses	46	37
TVSPs	161	-
Total staff benefits	8 379	7 703

	2016	2015
	\$'000	\$'000
TVSPs		
Amounts paid during the reporting period to separated staff:		
TVSPs	161	-
Annual leave, LSL and SERL paid to those staff	75	-
	236	-
Recovery from the Department of Treasury and Finance	-	-
Net cost to the board	236	-

The number of staff who received a TVSP during the reporting period	2	-
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Remuneration of staff

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

	2016	2015
	Number	Number
\$215 001 - \$225 000	-	1
\$265 001 - \$275 000	1	-
Total	1	1

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these staff for the year was \$274 000 (\$219 000).

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

5 Remuneration of board and committee members

Members during the 2015-16 financial year were:

Museum Board

Hon Dr J Lomax-Smith AM (Chairperson)	Ms H Carreker
Prof D Adelson (re-appointed 12 May 2016)	Mr P Hanlon (re-appointed 23 May 2016)
Ms J H Brown	Mr D Rathman AM PSM (re-appointed 12 May 2016)
Ms N Buddle (term ended 13 December 2015)	Mr A Noble

Aboriginal Advisory Committee

Mr D Rathman AM PSM (Chairperson)	Ms E Tongerie
Dr L O'Donoghue AC, CBE, DSG (resigned 18 November 2015)	Mr F Lampard OAM
Ms S Miller	

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

	2016	2015
	Number	Number
\$0 - \$9 999	12	13
Total Number of Members	12	13

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and superannuation. Total remuneration received or receivable by members was \$24 000 (\$20 000).

Amounts paid or payable to a superannuation plan for board/committee members were \$2 000 (\$2 000)

Members of the Museum Foundation Board did not receive remuneration in 2015-16 or 2014-15.

6 Supplies and services

	2016	2015
	\$'000	\$'000
Cost of goods sold	498	483
Insurance and risk	373	389
Marketing	414	270
Administration	470	442
IT	302	276
Maintenance	130	77
Artlab conservation work	412	362
Business services charge	207	172
Collections	64	56
Exhibitions	743	250
Research	275	313
Travel and accommodation	155	95
Contractors	70	151
Motor vehicle expenses	49	54
Minor equipment	66	78
Fees	85	163

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Consultants	33	332
Hire, rent and equipment	31	39
Audit fees	64	52
Legal Fees	3	4
OHS&W	26	31
Bad and doubtful debts	20	16
Other	248	250
Total supplies and services	4 738	4 355

Consultants

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

	2016	2016	2015	2015
	\$'000	Number	\$'000	Number
Below \$10 000	33	7	24	7
Above \$10 000	-	-	308	8
Total	33	7	332	15

7 Accommodation and facilities

	2016	2015
	\$'000	\$'000
Accommodation	851	910
Facilities	999	1 043
Security	956	932
Total accommodation and facilities	2 806	2 885

8 Depreciation and amortisation

	2016	2015
	\$'000	\$'000
Depreciation		
Buildings and improvements	1 427	1,423
Plant and equipment	639	632
Computer equipment	3	10
Total depreciation	2 069	2 065
Amortisation		
Intangibles	18	15
Total amortisation	18	15
Total depreciation and amortisation	2 087	2 080

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

9 Grants

	2016	2015
	\$'000	\$'000
State Government	191	370
General	479	599
Commonwealth	335	389
Total Grants	1 005	1 358

10 Fees and charges

	2016	2015
	\$'000	\$'000
Admissions	337	236
Functions	121	115
Fees for service	61	93
Other	32	59
Total fees and charges	551	503

11 Sponsorships

	2016	2015
	\$'000	\$'000
Cash sponsorships	184	234
In-kind sponsorships	100	34
Total sponsorships	284	268

12 Interest and investment income

	2016	2015
	\$'000	\$'000
Interest	95	138
Investment income	60	45
Total interest and investment income	155	183

13 Net gain/(loss) from the disposal of non-current assets

	2016	2015
	\$'000	\$'000
Investments		
Proceeds from disposal	-	1 655
Less: Net book value of assets disposed	-	(1 376)
Net gain/(loss) from disposal of investments	-	279
Plant and equipment		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	(15)
Net gain/(loss) from disposal of plant and equipment	-	(15)
Heritage assets		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	(12)	(17)
Net gain/(loss) from disposal of heritage assets	(12)	(17)

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Total assets

Proceeds from disposal	-	1 655
Less: Net book value of assets disposed	(12)	(1 408)
Total net gain (loss) from disposal of total assets	(12)	247

14 Resources received free of charge

	2016	2015
	\$'000	\$'000
Business services charge	207	172
Artlab conservation work	412	362
Total resources received free of charge	619	534

15 Other income

	2016	2015
	\$'000	\$'000
Lab consumable recharge	160	152
Commission and royalties	67	27
Competition entry fees	75	68
Exhibition hire	11	26
Other	135	81
Total other income	448	354

16 Receivables

	2016	2015
	\$'000	\$'000
Current receivables		
Receivables	669	424
Less: Allowance for doubtful debts	(35)	(15)
Prepayments	35	31
Accrued income	33	15
GST receivable	214	135
Total current receivables	916	590
Accrued revenue	-	1
Prepayments	10	2
Total non-current receivables	10	3
Total receivables	926	593

Allowance for doubtful debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired. Bad and doubtful debts expense has been recognised in supplies and services in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
Carrying amount at the beginning of the period	15	-
Increase in allowance	20	16
Amounts written off	-	(1)
Carrying amount at the end of the period	35	15

17 Property, plant and equipment

	2016 \$'000	2015 \$'000
Land, buildings and improvements		
Land at fair value	5 300	5 300
Buildings and improvements at fair value	73 881	73 036
Less: Accumulated depreciation	(44 227)	(42 800)
Total land, buildings and improvements	34 954	35 536
Work in progress		
Work in progress at cost	-	465
Total work in progress	-	465
Plant and equipment		
Plant and equipment at cost (deemed fair value)	9 383	8 870
Less: Accumulated depreciation	(4 788)	(4 148)
Total plant and equipment	4 595	4 722
Computer equipment		
Computer equipment at cost (deemed fair value)	49	49
Less: Accumulated depreciation	(45)	(42)
Total computer equipment	4	7
Total property, plant and equipment	39 553	40 730

Valuation of Assets

The valuation of land and buildings was performed by a certified independent valuer from Valcorp Australia Pty Ltd as at 30 June 2014. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

	Land	Buildings & improv.	Work in progress	Plant and equip	Comp equip	Total Tangible assets	Computer software	WIP Intangible assets	Total Intangible assets
<u>2016</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	5 300	30 236	465	4 722	7	40 730	79	25	104
Additions	-	-	863	29	-	892	-	3	3
Depreciation and amortisation	-	(1 427)	-	(639)	(3)	(2 069)	(18)	-	(18)
Transfer between asset classes	-	845	(1 328)	483	-	-	28	(28)	-
Carrying amount at the end of the period	5 300	29 654	-	4 595	4	39 553	89	-	89

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

18 Intangible Assets

	2016	2015
	\$'000	\$'000
Computer software	132	104
Less accumulated amortisation	(43)	(25)
Total computer software	89	79
 Work in progress		
Work in progress at cost	-	25
Total work in progress	-	25
 Total intangible assets	89	104

19 Heritage collections

	2016	2015
	\$'000	\$'000
Social/industrial history	587	278
Australian Aboriginal ethnology	35 017	24 839
Foreign ethnology	26 980	8 470
Australian polar collection	8 953	4 808
Archives/artwork	18 339	16 839
Archaeology	10 018	69 301
Minerals	18 789	17 979
Malacology	5 258	7 752
Australian biological tissue bank	6 582	17 631
Australian helminthological collection	15 991	25 009
Entomology	53 418	80 186
Arachnology	6 319	11 481
Marine invertebrates	29 332	15 553
Ichthyology	3 435	5 053
Herpetology	4 270	6 520
Ornithology	9 103	12 526
Mammalogy	16 310	7 963
Palaeontology	14 932	25 470
Library	4 260	6 398
Public Program Collection	248	-
Total heritage collections	288 141	364 056

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Reconciliation of carrying amounts of heritage collections

	Opening balance	Additions	Revaluations	Disposals	Closing balance
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Social/industrial history	278	-	309	-	587
Australian Aboriginal ethnology	24 839	159	10 019	-	35 017
Foreign ethnology	8 470	7	18 503	-	26 980
Australian polar collection	4 808	-	4 145	-	8 953
Archives/artwork	16 839	18	1 482	-	18 339
Archaeology	69 301	-	(59 283)	-	10 018
Minerals	17 979	1 482	(672)	-	18 789
Malacology	7 752	73	(2 567)	-	5 258
Australian biological tissue bank	17 631	385	(11 434)	-	6 582
Australian helminthological collection	25 009	151	(9 157)	(12)	15 991
Entomology	80 186	28	(26 796)	-	53 418
Arachnology	11 481	3	(5 165)	-	6 319
Marine invertebrates	15 553	-	13 779	-	29 332
Ichthyology	5 053	28	(1 646)	-	3 435
Herpetology	6 520	119	(2 369)	-	4 270
Ornithology	12 526	21	(3 444)	-	9 103
Mammalogy	7 963	-	8 347	-	16 310
Palaeontology	25 470	417	(10 955)	-	14 932
Library	6 398	-	(2 138)	-	4 260
Public Program Collection	-	-	248	-	248
Total	364 056	2 891	(78 794)	(12)	288 141

20 Investments

	2016 \$'000	2015 \$'000
Non-current		
Shares and other direct investments in companies	1 662	782
Total investments	1 662	782

The market value of investments as at 30 June 2016 is \$1.564 million (\$0.764 million).

Of the three investment accounts; Museum Board, Norman B Tindale Memorial and the Mawson Collection - there are restrictions in place for both the Norman B Tindale Memorial and Mawson Collection relating to funds totalling \$1 042 million (\$489 000).

21 Payables

	2016 \$'000	2015 \$'000
Current payables		
Creditors and accruals	840	644
Staff on-costs	137	120
Total current payables	977	764

Museum Board
Notes to and forming part of the financial statements
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Non-current payables

Staff on-costs	152	125
Total non-current payables	152	125
Total payables	1 129	889

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to 40%. The average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the staff on-cost calculation. The financial effect of the change in the superannuation on-cost rate on staff on-costs and employee benefit expense is immaterial.

22 Staff benefits

	2016	2015
	\$'000	\$'000
Current		
Annual leave	563	492
Skills and experience retention leave	59	58
Long service leave	314	322
Accrued salaries and wages	92	45
Total current staff benefits	1 028	917
Non-current		
Long service leave	1 646	1 395
Total non-current staff benefits	1 646	1 395
Total staff benefits	2 674	2 312

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability.

AASB 119 requires the use of the yield on long term Commonwealth bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased in 2016 to 2.0% (3.0%), the resulting effect is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result there is no net financial effect resulting from changes in the salary inflation rate.

23 Provisions

	2016	2015
	\$'000	\$'000
Current		
Provision for workers compensation	6	8
Total current provisions	6	8
Non-current		
Provision for workers compensation	12	20
Total non-current provisions	12	20
Total provisions	18	28

Museum Board
Notes to and forming part of the financial statements
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Reconciliation of the provision for workers compensation

Provision at the beginning of the financial year	28	47
Reductions resulting from re-measurement or settlement without cost	(10)	(19)
Carrying amount at the end of the period	18	28

24 Cash and cash equivalents

Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash held for investments and cash at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2016	2015
	\$'000	\$'000
Deposits with the Treasurer	1 092	1 615
Cash other	2 728	2 977
Cash on hand	4	4
Cash as recorded in the Statement of Financial Position	3 824	4 596

Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the "Museum Board Account", an account held with the Treasurer of South Australia pursuant to section 21 of the Public Finance and Audit Act 1987, and funds held in the Arts SA Operating Account. This account is held with the Treasurer of South Australia pursuant to section 8 of the Public Finance and Audit Act 1987. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available \$109 000 (\$107 000) and the Bonython Bequest component of the cash funds available \$22 000 (\$21 000).

Cash other

Cash other is term deposits, cash held for investments with Hood Sweeney and cash held by the SA Museum Foundation Incorporated and SA Museum Foundation Fund. There are restrictions in place for the cash accounts for Norman B Tindale Memorial and Mawson Collection \$415 000 (\$938 000).

Cash on hand

Cash on hand includes petty cash and floats.

Interest rate risk

Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled the "Museum Board Account" and in the accounts identified in cash other.

Museum Board
Notes to and forming part of the financial statements
For the year ended 30 June 2016

25 Unrecognised contractual commitments

Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements, are payable as follows:

	2016	2015
	\$'000	\$'000
Within one year	24	29
Later than one year but not later than five years	8	29
Total operating lease commitments	32	58

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

Other commitments

	2016	2015
	\$'000	\$'000
No later than one year	1 049	1 155
Later than one year but not later than five years	217	702
Total other commitments	1 266	1 857

The board's other commitments are for agreements for security and cleaning.

Contingency provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts at the end of their terms.

26 Contingent assets and liabilities

The board is not aware of any contingent assets or liabilities as at 30 June 2016.

27 Financial instruments/financial risk management

27.1 Financial risk management

Risk management is managed by the board's corporate services section and board risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The board's exposure to financial risk (liquidity, credit and market) is insignificant based on past experience and current assessment of risk.

The board is funded principally from appropriation from the SA Government. The Board works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

There have been no changes in risk exposure since the last reporting period.

Museum Board
Notes to and forming part of the financial statements
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27.2 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 and financial liability are disclosed in note 2 Summary of significant accounting policies.

The carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below.

Category of financial asset and financial liability	Statement of Financial Position line item	Notes	2016	
			Carrying amount \$'000	Fair Value \$'000
Financial assets				
Cash and cash equivalents	Cash	24	3 824	3 824
Investments	Investments	20	1 662	1 564
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	16	637	637
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	21	797	797

Category of financial asset and financial liability	Statement of Financial Position line item	Notes	2015	
			Carrying amount \$'000	Fair Value \$'000
Financial assets				
Cash and cash equivalents	Cash	24	4 596	4 596
Investments	Investments	20	782	764
Loans and receivables	Receivables ⁽¹⁾⁽²⁾	16	410	410
Financial liabilities				
Financial liabilities at cost	Payables ⁽¹⁾	21	608	608

¹ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit 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).

² Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

28 Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.

Museum Board
Certification of Financial Statements
for the year ended 30 June 2016

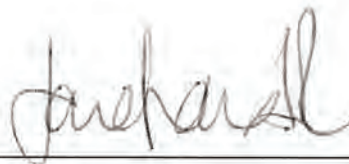
We certify that the attached general purpose financial statements for the Museum Board:

- are in accordance with the accounts and records of the Museum Board;
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards; and
- present a true and fair view of the financial position of the Museum Board as at 30 June 2016 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Museum Board over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.



Brian Oldman
Director
South Australian Museum
13 September 2016



Dr Jane Lomax-Smith
Chair
Museum Board
13 September 2016



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**To the Chair
Museum Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 16(3) of the *South Australian Museum Act 1976*, I have audited the accompanying financial report of the Museum Board for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, Museum Board and the Director, South Australian Museum.

The members of the Museum Board's responsibility for the financial report

The members of the Museum Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Museum Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

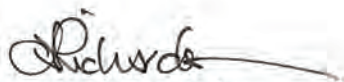
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Museum Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Museum Board's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Museum Board as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

21 September 2016

Office of the National Rail
Safety Regulator

Financial report
for the year ended
30 June 2016

The Office of the National Rail Safety Regulator

Statement of Comprehensive Income

For the year ended 30 June 2016

		2016	2015
	Note	\$'000	\$'000
Expenses:			
Employee benefits expenses	4	8,304	6,677
Supplies and services	5	3,799	3,315
Service level agreement	6	19,435	19,626
Depreciation and amortisation	7	390	364
Net loss from the disposal of non-current and other assets	8	4	146
Other expenses	9	10	19
Total expenses		31,942	30,147
Income:			
Revenues from fees and charges	10	32,289	30,695
Interest revenues	11	312	352
Other income	12	64	4
Total income		32,665	31,051
Net result		723	904
Total comprehensive result		723	904

The above statements should be read in conjunction with the accompanying notes.

The Office of the National Rail Safety Regulator

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Current assets:			
Cash and cash equivalents	13	11,707	8,300
Receivables	14	822	2,358
Total current assets		12,529	10,658
Non-Current assets			
Property, plant and equipment	15	865	891
Intangible assets	16	2,515	1,706
Total Non-Current assets		3,380	2,597
Total assets		15,909	13,255
Current liabilities:			
Payables	17	3,379	2,467
Employee benefits	18	1,196	912
Other liabilities	19	2,071	1,382
Total current liabilities		6,646	4,761
Non-Current liabilities:			
Employee benefits	18	217	171
Total Non-Current liabilities		217	171
Total liabilities		6,863	4,932
Net assets		9,046	8,323
Equity:			
Retained earnings		8,128	7,344
Reserve for transition expenses		918	979
Total equity	20	9,046	8,323
Provisions	21		
Unrecognised contractual commitments	22		
Contingent assets and liabilities	23		

The above statements should be read in conjunction with the accompanying notes.

The Office of the National Rail Safety Regulator

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Reserve for Transition expenses \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2014		2,880	4,539	7,419
Net result for 2014-15		-	904	904
Transfer between equity components		(1,901)	1,901	-
Balance at 30 June 2015		979	7,344	8,323
Transfer between equity components		(61)	61	-
Net result for 2015-16		0	723	723
Balance at 30 June 2016	20	918	8,128	9,046

The above statements should be read in conjunction with the accompanying notes.

The Office of the National Rail Safety Regulator

Statement of Cash Flows

For the year ended 30 June 2016

		2016 Inflows (Outflows) \$'000	2015 Inflows (Outflows) \$'000
Cash flows from operating activities	Note		
Cash outflows			
Employee benefit payments		(8,220)	(6,630)
Payments for supplies and services		(4,704)	(3,718)
Payments of service level agreement		(17,934)	(18,161)
Payments for paid parental leave scheme		(14)	(9)
Other Payments		(12)	0
Cash used in operations		(30,884)	(28,518)
Cash inflows			
Fees and charges		34,771	31,180
Interest received		311	349
GST recovered from the ATO		541	932
Receipts for paid parental leave scheme		12	11
Other receipts		183	4
Cash generated from operations		35,818	32,476
Net cash provided by (used in) operating activities		4,934	3,958
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(435)	(197)
Purchases of intangibles		(1,092)	(1,250)
Cash generated from investing activities		(1,527)	(1,447)
Cash used in investing activities		(1,527)	(1,447)
 Net increase (decrease) in cash and cash equivalents		 3,407	 2,511
 Cash and cash equivalents at 1 July 2015		 8,300	 5,789
Cash and cash equivalents at 30 June 2016	13	11,707	8,300

The Office of the National Rail Safety Regulator

Notes to and forming part of the financial statements

1. Objective of the Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator is established under the *Rail Safety National Law (South Australia) Act 2012* (the Law).

The Office of the National Rail Safety Regulator has the principal objective of facilitating the safe operation of rail transport across Australia. This is achieved through regulation of the rail industry in accordance with the Law, supporting regulations, guidelines and policies and the promotion of safety as a fundamental objective in the delivery of rail transport services.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 263 of the Rail Safety National Law (*South Australia) Act 2012* and Regulation 48 of Rail Safety National Law National Regulations.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements).

The Office of the National Rail Safety Regulator (ONRSR) has applied Australian Accounting Standards that are applicable to ONRSR.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Office of the National Rail Safety Regulator for the reporting period ending 30 June 2016. Refer to Note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Office of the National Rail Safety Regulator'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.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

The Office of the National Rail Safety Regulator

(c) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

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

(d) Rounding

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

(e) Taxation

The Office of the National Rail Safety Regulator is not subject to income tax. The Office of the National Rail Safety Regulator is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and Emergency Services Levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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 GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office 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 Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office the commitments and contingencies are disclosed on a gross basis.

(f) Events after the reporting date

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

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

(g) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to the Office of the National Rail Safety Regulator will occur and can be reliably measured.

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

The Office of the National Rail Safety Regulator

The following are specific recognition criteria:

Fees and charges

Revenues from fees and charges are derived from the provision of services to industry and state governments. 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 Office of the National Rail Safety Regulator obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Generally, the Office of the National Rail Safety Regulator has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable - i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. grant stipulation) 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 Office of the National Rail Safety Regulator have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Other income

Other income consists of payment for Freedom of Information requests, rent recovery and insurance claims.

(h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Office of the National Rail Safety Regulator will occur and can be reliably measured.

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Office of the National Rail Safety Regulator to the externally managed superannuation plans in respect of current Office of the National Rail Safety Regulator staff.

Service Level Agreement

For contributions payable under the Service Level Agreement, the contribution will be recognised as a liability and expense when the Office of the National Rail Safety Regulator has a present obligation to pay the contribution and the expense recognition criteria are met.

Depreciation and amortisation

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

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

The Office of the National Rail Safety Regulator

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

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

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

Class of asset	Useful life(years)
Computer equipment	3 - 10
Intangible assets	3 - 5
Leasehold improvements	Life of Lease

Depreciation on Fixtures and fittings is calculated using the diminishing value method.

(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 twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, the Office of the National Rail Safety Regulator has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(j) Assets

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

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

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

Receivables arise in the normal course of providing services to industry and state governments.

Receivables are generally settled within 30 days after the issue of an invoice.

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

Non-current assets

Acquisition and recognition

Non-current assets are initially identified 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 after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

The Office of the National Rail Safety Regulator

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. 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 Office of the National Rail Safety Regulator 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 (indefinitely, 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 \$5,000.

(k) Liabilities

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

Payables

Payables include creditors, accrued expenses, GST payable and employment on-costs and Paid Parental Leave Scheme payable.

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 Office of the National Rail Safety Regulator.

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.

The Paid Parental Leave Scheme payable represents amounts which The Office of National Rail Safety Regulator has received from the Commonwealth Government to forward onto eligible employees via The Office of National Rail Safety Regulator standard payroll processes. That is, the Office of National Rail Safety Regulator is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

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

The Office of National Rail Safety Regulator makes contributions to several State Government and Commercial superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to scheme managers.

Leases

The Office of the National Rail Safety Regulator leases office premises. Lease payments are increased annually in accordance with movements in CPI or as per the lease agreement.

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

The Office of the National Rail Safety Regulator

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 & sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

• Long Service Leave

This amount has been calculated in accordance with AASB119.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service.

Provisions

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

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

The Office of the National Rail Safety Regulator is responsible for the payment of workers compensation claims.

Other current liabilities

This liability represents the difference between the proposed industry revenue received from NSW operators and the NSW contribution to ONRSR head office costs. It also includes Freedom of Information Fees received in advance.

(l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

3. New and revised accounting standards and policies

The Office of the National Rail Safety Regulator did not voluntarily change any of its accounting policies during 2015-16.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Office of the National Rail Safety Regulator for the period ending 30 June 2016. The Office of the National Rail Safety Regulator has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Office of the National Rail Safety Regulator apart from those described for leases.

The Office of the National Rail Safety Regulator

AASB 16 *Leases* will apply for the first time to the 30 June 2020 financial report. This standard will require ONRSR to recognise all leased items in the statement of financial position as assets representing the value of items leased and as liabilities representing the expected future lease payments.

4. Employee benefits expenses

	2016 \$'000	2015 \$'000
Salaries and wages	6,453	5,189
Long service leave	213	104
Annual leave	549	504
Employment on-costs - superannuation	666	537
Employment on-costs - other	396	314
Workers compensation	27	29
Total employee benefits expenses	8,304	6,677

Remuneration of employees

	2016 Number	2015 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$145,001 to \$155,000	4	2
\$155,001 to \$165,000	2	1
\$165,001 to \$175,000	0	1
\$175,001 to \$185,000	1	0
\$215,001 to \$225,000	0	2
\$245,001 to \$255,000	1	2
\$255,001 to \$265,000	1	1
\$305,001 to \$315,000	2	0
\$315,001 to \$325,000	0	2
\$395,001 to \$405,000	1	0
Total number of employees	12	11

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$2.638 million (\$2.472 million).

5. Supplies and services

	2016 \$'000	2015 \$'000
Travelling expenses	695	563
Information Technology	1,158	1,048
Insurance	299	289
Property	867	636
Contractors fees	96	271
Other	684	508
Total supplies and services	3,799	3,315

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to The Office of the National Rail Regulator not holding a tax invoice or payments relating to third party arrangements.

The Office of the National Rail Safety Regulator

Consultants

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

	Number	2016 \$'000	Number	2015 \$'000
Below \$10,000	9	27	9	32
Above \$10,000	4	182	0	0
Total paid/payable to consultants	13	209	9	32

Auditors remuneration

	2016 \$'000	2015 \$'000
Audit fees paid/payable to the Auditor General's Department relating to the audit of financial statements (included in supplies and services above)	57	43
Total Audit fees	57	43

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

6. Service level agreement

	2016 \$'000	2015 \$'000
Payment under Service Level Agreement with NSW	13,431	13,767
Payment under Service Level Agreement with VIC	6,004	5,859
Total Service Level Agreement	19,435	19,626

7. Depreciation and amortisation

	2016 \$'000	2015 \$'000
Fixtures and fittings	29	21
Computer Equipment	51	40
Computer Software	283	303
Leasehold Improvements	27	0
Total depreciation and amortisation	390	364

8. Net loss from the disposal of non-current and other assets

	2016 \$'000	2015 \$'000
Computer Equipment:		
Proceeds from disposal	0	0
Less net book value of assets disposed	4	0
Total Net loss from disposal of computer equipment	4	0
Intangible assets:		
Proceeds from disposal	0	0
Less net book value of assets disposed	0	146
Total Net loss from disposal of intangible assets	0	146
Total Net loss from disposal	4	146

9. Other expenses

	2016 \$'000	2015 \$'000
Bad debts and allowances for doubtful debts (refer note 14)	10	19
Total other expenses	10	19

The Office of the National Rail Safety Regulator

10. Revenue from fees and charges

	2016	2015
	\$'000	\$'000
Revenue from accreditations	95	100
Revenue from annual fees from industry and government	32,194	30,595
Total revenue from fees and charges	32,289	30,695

11. Interest revenues

	2016	2015
	\$'000	\$'000
Interest received	312	352
Total interest revenues	312	352

12. Other income

	2016	2015
	\$'000	\$'000
Rent recovery	37	0
Freedom of Information Fees	1	0
Insurance claim	15	0
Doubtful debts recovered	9	0
Salary Sacrificing Refund	0	4
Sundry Income	2	0
Total other revenue	64	4

13. Cash and cash equivalents

	2016	2015
	\$'000	\$'000
Cash at bank and on hand	11,707	8,300
Total cash and cash equivalents	11,707	8,300

Included in the above amount is monies held for transition cost (\$0.918 million) and which will not be used for general Office of the National Rail Safety Regulator operations.

The Office of the National Rail Safety Regulator has been granted an overdraft limit facility of \$400,000. This limit has not been used.

14. Receivables

	2016	2015
	\$'000	\$'000
Receivables	325	1,882
Less allowance for doubtful debts	-11	-19
Prepayments	395	314
Accrued interest	9	9
Accrued Income	6	0
Security Deposit	7	0
GST input tax receivable	91	172
Total Receivables	822	2,358

The Office of the National Rail Safety Regulator

Movement in the allowance for doubtful debts .

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2016	2015
	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)	19	12
Carrying amount at the beginning of the period	10	19
Increase in the allowance	-9	-12
Amounts written off	-9	0
Amounts recovered during the year	11	19
Carrying amount at the end of the period	11	19

15. Property, plant and equipment

	2016	2015
Leasehold Improvements		
At cost	398	0
Accumulated depreciation	-27	0
Total leasehold improvements	371	0
Fixtures and fittings:		
At cost	406	245
Accumulated depreciation	-85	-56
Total fixtures and fittings	321	189
Work In Progress (Fixtures and fittings):		
At Cost	0	568
Total Work in Progress (Fixtures and fittings)	0	568
Total Fixtures and fittings (including work in progress)	321	757
Computer equipment:		
At cost	316	231
Accumulated depreciation	-143	-97
Total computer equipment	173	134
Total property, plant and equipment	865	891

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2016.

The Office of the National Rail Safety Regulator

16. Intangible assets

	2016 \$'000	2015 \$'000
Computer Software		
Internally developed computer software	1,927	0
Accumulated amortisation	-48	0
Other computer software	791	1,122
Accumulated amortisation	-470	-566
Total Computer software	2,200	556
Work In Progress (Intangibles):		
At Cost	315	1,150
Total Work in Progress (Intangibles)	315	1,150
Total Intangible assets	2,515	1,706

The internally developed computer software relates to the development of a regulatory accreditation model (Regis) that provides the Office of the National Safety Regulator with a national database of all accredited, registered and exempt entities.

The Office of the National Rail Safety Regulator has no contractual commitments for the acquisition of intangible assets.

Impairment

There were no indications of impairment of intangible assets at 30 June 2016.

Asset movement reconciliation 2016

2016	Leasehold Improvements \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Intangible assets \$'000	Total \$'000
Carrying amount at 1 July 2015	0	757	134	1,706	2,597
Additions at cost	0	0	85	777	862
Additions work in progress	0	0	0	315	315
Reclassification of prior year work in progress	398	-407	9	0	0
Disposals	0	0	-4	0	-4
Depreciation/amortisation	-27	-29	-51	-283	-390
Carrying amount at 30 June 2016	371	321	173	2,515	3,380

17. Payables

	2016 \$'000	2015 \$'000
Current:		
Creditors	238	764
Accrued expenses	3,085	1,665
Employee on-costs	47	36
Paid Parental Leave Scheme payable	0	2
GST Payable	9	0
Total current payables	3,379	2,467

The Office of the National Rail Safety Regulator

18. Employee benefits

	2016	2015
	\$'000	\$'000
Current		
Accrued salaries and wages	126	117
Annual Leave	815	703
Long service leave	255	92
Total current employee benefits	1,196	912
Non-Current		
Long service leave	217	171
Total non-current employee benefits	217	171
Total Employee benefits	1,413	1,083

AASB 119 contains the calculation methodology for long service leave liability. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government Bonds has decreased from 2015 (3.79%) to 2016 (3.49%).

The decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The Office of the National Rail Safety Regulator decreased the salary inflation rate for long service leave from 2015 (2.2%) to 2016 (2.0%) and no change was applied to the salary inflation rate for annual leave.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability and employee benefits expense, and the effect was immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions.

19. Other liabilities

	2016	2015
	\$'000	\$'000
Current		
Unearned revenue	2,071	1,382
Total current other liabilities	2,071	1,382

20. Equity

	2016	2015
	\$'000	\$'000
Retained Earnings	8,128	7,344
Reserve for transition expenses	918	979
Total Equity	9,046	8,323

An amount of \$0.918 million that represents the funding that will be used in the subsequent financial years for the establishment of new Branch Offices has been treated as a separate reserve.

21. Provisions

There are no unsettled workers compensation claims

The Office of the National Rail Safety Regulator

22. Unrecognised contractual commitments

Capital Commitments

There are no Capital Commitments in the Office of the National Rail Safety Regulator.

Expenditure commitments - Other

	2016 \$'000	2015 \$'000
Within one year	1,399	125
Later than one year but no longer than five years	270	0
Total other commitments	1,669	125

Amounts disclosed include commitments arising from IT maintenance contracts and contractors.

Operating lease commitments

	2016 \$'000	2015 \$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	746	684
Later than one year but no longer than five years	852	1,291
Later than five years	966	1,181
Total operating lease commitments	2,564	3,156

The Office of the National Rail Safety Regulator's operating leases is for office accommodation and motor vehicles.

The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable one month in advance.

Finance Lease commitments

There are no Finance Lease commitments in the Office of the National Rail Safety Regulator.

23. Contingent assets and liabilities

The Office of the National Rail Safety Regulator is not aware of any contingent assets or liabilities.

24. Remuneration of board and committee members

Members during the 2015 - 2016 financial year were:

ONRSR Board

* Ms Susan McCarrey
Ms Catherine Scott
Mr Peter Batchelor

Audit & Risk Committee

Ms Catherine Scott
Mr Malcolm Renney

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

	2016 Number	2015 Number
\$1 - \$9,999	1	1
\$60,000 - \$69,000	2	2
Total number of members	3	3

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions and salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$134,259 (\$134,360).

* Contracted employee whose salary is included under Employee benefit expenses in the Statement of Comprehensive Income.

The Office of the National Rail Safety Regulator

25. Financial instruments/Financial risk management

Financial risk management

Risk management is managed by The Office of the National Rail Safety Regulator corporate services section and risk management policies are in accordance with good practice.

The Office of the National Rail Safety Regulator is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted include 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.

The carrying amounts of each of the following categories of financial assets and liabilities measured at cost are detailed below:

Table 25.1

Financial instrument	Note	2016		2015	
		Carrying amount \$'000s	Fair value \$'000s	Carrying amount \$'000s	Fair value \$'000s
Financial assets:					
Cash and cash equivalents	13	11,707	11,707	8,300	8,300
Receivables* **	14	327	327	1,863	1,863
		12,034	12,034	10,163	10,163
Financial liabilities:					
Payables*	17	3,267	3,267	2,384	2,384
Other Liabilities	19	2,071	2,071	1,382	1,382
		5,338	5,338	3,766	3,766

* Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. 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 levies, tax and equivalents 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).

** Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 14 as trade and other receivables in accordance with paragraph 78 (b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

26. Events after the reporting period

There have been no significant events after the reporting period.

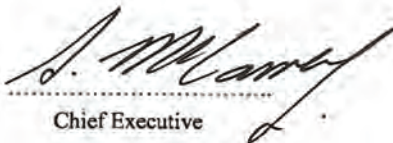
The Office of the National Rail Safety Regulator

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Office of the National Rail Safety Regulator:

- complies with Section 263 of the Rail Safety National Law (South Australia) Act 2012 and Regulation 48 of *RSNL National Regulations*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Office of the National Rail Safety Regulator; and
- presents a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2016 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Office of the National Rail Safety Regulator for the financial year over its financial reporting and the preparation of the general purpose financial statements have been effective throughout the reporting period.


Chief Executive

7/9/2016


Executive Director - Corporate

7/9/2016



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To the Chief Executive The Office of the National Rail Safety Regulator

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 263 of the Schedule to the *Rail Safety National Law (South Australia) Act 2012*, I have audited the accompanying financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate.

Chief Executive's Responsibility for the Financial Report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the provisions of the *Public Finance and Audit Act 1987* and the *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

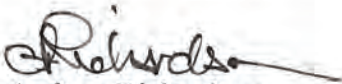
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Office of the National Rail Safety Regulator's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with the provisions of the *Public Finance and Audit Act 1987* and *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards.



Andrew Richardson

Auditor-General

13 September 2016

Department of Planning,
Transport and Infrastructure

Financial report
for the year ended
30 June 2016

Department of Planning, Transport and Infrastructure
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Note No	2016 \$'000	2015 \$'000
EXPENSES			
Employee benefit expenses	6	230,043	245,654
Supplies and services	7	825,707	812,665
Depreciation and amortisation expense	8	394,401	376,138
Grants and subsidies	9	109,182	84,945
Borrowing costs	10	939	1,117
Other expenses	11	40,606	39,332
Total Expenses		1,600,878	1,559,851
INCOME			
Fees and charges	13	614,150	598,460
Commonwealth revenues	14	243,747	133,540
Sale of goods and services	15	142,491	142,699
Rental income	16	214,922	213,894
Grants and subsidies	17	57,984	61,242
Interest	18	2,134	2,334
Commissions received	19	35	37
Net gain from the disposal of non-current assets	20	1,691	4,158
Resources received free of charge	21	3,418	7,067
Other income	22	55,520	62,906
Total Income		1,336,092	1,226,337
NET REVENUE FROM / (COST OF) PROVIDING SERVICES		(264,786)	(333,514)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	23	875,088	1,222,135
Payments to SA Government	23	(5,600)	(79,977)
Net Revenues from (payments to) SA Government		869,488	1,142,158
Net result		604,702	808,644
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in property, network assets and plant and equipment asset revaluation surplus		31,637	163,328
TOTAL COMPREHENSIVE RESULT		636,339	971,972

The net result and total comprehensive result are attributable to the SA Government as owner.

Department of Planning, Transport and Infrastructure
STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note No	2016 \$'000	2015 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	24	2,125,602	1,423,773
Receivables	25	170,011	135,334
Inventories	26	10,949	12,767
Other assets	27	45,552	26,097
Non-current assets classified as held for sale	28	140,157	142,298
Total Current Assets		2,492,271	1,740,269
NON-CURRENT ASSETS:			
Receivables	25	7,687	10,685
Other assets	27	44,244	21,720
Land, buildings and facilities	29	2,600,878	2,915,713
Plant and equipment	30	729,945	746,681
Network assets	31	20,215,698	19,993,636
Capital works in progress	32	722,790	339,752
Intangible assets	33	33,597	37,468
Total Non-Current Assets		24,354,839	24,065,655
Total Assets		26,847,110	25,805,924
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	35	229,912	134,099
Borrowings	36	2,273	2,253
Employee benefits	37	31,176	37,781
Provisions	38	9,446	9,658
Other liabilities	39	23,355	28,993
Total Current Liabilities		296,162	212,784
NON-CURRENT LIABILITIES:			
Payables	35	25,129	23,274
Borrowings	36	12,773	14,521
Employee benefits	37	67,379	66,376
Provisions	38	15,608	13,630
Other liabilities	39	48,038	26,145
Total Non-Current Liabilities		168,927	143,946
Total Liabilities		465,089	356,730
NET ASSETS		26,382,021	25,449,194
EQUITY:			
Retained earnings		8,661,496	8,072,101
Asset revaluation surplus		14,585,440	14,540,197
Contributed capital		3,135,085	2,836,896
Total Equity		26,382,021	25,449,194

Total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	43
Contingent assets and liabilities	44

Department of Planning, Transport and Infrastructure
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Note No	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2014		2,648,812	14,415,479	7,297,434	24,361,725
Prior Period - error corrections identified in 2015-16	40	-	(34,145)	(23,884)	(58,029)
Prior Period - error corrections identified in 2014-15	40	-	(176)	(10,646)	(10,822)
Restated Balance at 30 June 2014		2,648,812	14,381,158	7,262,904	24,292,874
Net result for 2014-15		-	-	808,644	808,644
Gain (loss) on Revaluation of Property during 2014-15		-	24,813	-	24,813
Gain (loss) on Revaluation of Network Assets during 2014-15		-	252,978	-	252,978
Gain (loss) on Revaluation of Plant and Equipment during 2014-15		-	(114,463)	-	(114,463)
Total Comprehensive Result for 2014-15		-	163,328	808,644	971,972
Transfer between equity components					
Equity transfer on asset disposals		-	(4,289)	4,289	-
Other		-	-	1	1
Transactions with SA Government as Owner					
Equity Contribution Received		188,084	-	-	188,084
Dividends Paid		-	-	(1,706)	(1,706)
Balance at 30 June 2015		2,836,896	14,540,197	8,074,132	25,451,225
Prior Period - error correction	40	-	-	(2,031)	(2,031)
Restated Balance at 30 June 2015		2,836,896	14,540,197	8,072,101	25,449,194
Net result for 2015-16		-	-	604,702	604,702
Gain (loss) on Revaluation of Property during 2015-16		-	(304,632)	-	(304,632)
Gain (loss) on Revaluation of Network Assets during 2015-16		-	328,078	-	328,078
Gain (loss) on Revaluation of Plant and Equipment during 2015-16		-	8,191	-	8,191
Total Comprehensive Result for 2015-16		-	31,637	604,702	636,339
Transfer between equity components					
Equity transfer on asset disposals		-	13,606	(13,606)	-
Other		-	-	5	5
Transactions with SA Government as Owner					
Equity Contribution Received		298,189	-	-	298,189
Dividends Paid		-	-	(1,706)	(1,706)
Balance at 30 June 2016		3,135,085	14,585,440	8,661,496	26,382,021

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

Department of Planning, Transport and Infrastructure
STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Note No	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		(233,915)	(244,606)
Payments for supplies and services		(1,115,047)	(1,127,080)
Payments of grants and subsidies		(106,676)	(84,876)
Interest paid		(939)	(1,117)
Construction work payments		(266,669)	(363,362)
Lease incentives		(1,119)	(70)
Other payments		(41,154)	(44,939)
Cash used in Operations		(1,765,519)	(1,866,050)
CASH INFLOWS:			
Fees and charges		610,033	594,036
Receipts from Commonwealth		243,791	133,591
Rental income		238,163	241,589
Sale of goods and services		402,652	359,552
Grants and subsidies		58,403	62,254
Interest received		2,512	2,882
Commissions		35	37
Construction work reimbursements		253,757	377,451
GST received from the ATO		81,636	72,086
Lease incentives		1,467	752
Other receipts		60,722	106,594
Cash generated from Operations		1,953,171	1,950,824
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		875,088	1,222,135
Payments to SA Government		(5,600)	(79,977)
Cash Generated from SA Government		869,488	1,142,158
Net Cash provided by (used in) Operating Activities	45	1,057,140	1,226,932
CASH FLOWS FROM INVESTING ACTIVITIES			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(313,063)	(242,064)
Purchase of network assets		(361,161)	(233,642)
Cash Used in Investing Activities		(674,224)	(475,706)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		24,098	51,600
Cash generated from Investing Activities		24,098	51,600
Net Cash provided by (used in) Investing Activities		(650,126)	(424,106)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payment of dividend to SA Government		(1,706)	(1,706)
Residential housing loan advancements		(94)	(342)
Repayment of borrowings		(521)	(446)
Repayment of finance leases		(1,794)	(1,837)
Cash Used in Financing Activities		(4,115)	(4,331)
CASH INFLOWS:			
Equity contributions received		298,189	188,084
Principal repayments residential housing		741	666
Cash generated from Financing Activities		298,930	188,750
Net Cash provided by (used in) Financing Activities		294,815	184,419
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
		701,829	987,245
CASH AND CASH EQUIVALENTS AT 1 JULY		1,423,773	436,528
CASH AND CASH EQUIVALENTS AT 30 JUNE	24	2,125,602	1,423,773

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - EXPENSES AND INCOME
For the Year Ended 30 June 2016

	Land Use Planning			Road Safety			Recreation, Sport and Racing			Office of Local Government	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES:											
Employee benefit expenses	15,790	17,566	6,056	6,457	9,885	8,627	992	1,073			
Supplies and services	4,658	5,367	5,720	7,358	5,803	4,621	590	364			
Depreciation and amortisation expense	131	17	850	1,210	7,880	6,422	-	-			
Loss from the disposal of non-current assets	-	-	-	-	-	-	-	-			
Grants and subsidies	3	1,336	43,837	42,174	37,682	21,527	-	-			
Borrowing costs	-	1	-	-	80	146	-	-			
Other expenses	11	14	1,674	57	140	78	1	9			
Total Expenses	20,593	24,301	58,137	57,256	61,470	41,421	1,583	1,446			
INCOME:											
Fees and charges	7,352	5,941	2,543	2,771	3	1	-	-			
Commonwealth revenues	-	-	10,285	5,865	232	404	-	-			
Sale of goods and services	928	936	-	-	476	464	-	-			
Rental income	-	-	-	-	172	131	-	-			
Grants and subsidies	-	-	-	-	451	577	-	-			
Interest	-	-	376	377	-	2	-	-			
Commissions received	35	-	-	-	-	-	-	-			
Gain from the disposal of non-current assets	-	-	6	-	-	14	-	-			
Resources received free of charge	-	-	-	-	711	7,010	-	-			
Other income	1,080	2,293	-	-	4,509	4,709	-	-			
Total Income	9,395	9,170	13,210	9,013	6,554	13,312	-	-			
NET REVENUE FROM (COST OF) PROVIDING SERVICES	(11,198)	(15,131)	(44,927)	(48,243)	(54,916)	(28,109)	(1,583)	(1,446)			

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - EXPENSES AND INCOME
For the Year Ended 30 June 2016

	Roads and Marine			Public Transport			Infrastructure Planning and Management			TOTAL
	2016	2015		2016	2015		2016	2015		
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000		\$'000
EXPENSES:										
Employee benefit expenses	81,126	80,237		39,173	39,413		77,021	92,281		245,654
Supplies and services	157,518	148,865		353,579	336,796		297,839	309,294		812,665
Depreciation and amortisation expense	236,340	232,516		114,965	102,108		34,235	33,865		376,138
Loss from the disposal of non-current assets		-		223	602		9,165	-		602
Grants and subsidies	4,287	3,797		14,546	14,544		8,827	1,567		84,945
Borrowing costs	77	14		-	-		782	956		1,117
Other expenses	27,236	29,784		751	-		10,793	9,390		39,332
Total Expenses	506,584	495,213		523,237	493,463		438,662	447,353		1,560,453
INCOME:										
Fees and charges	488,424	477,720		92,511	90,317		23,317	21,710		598,460
Commonwealth revenues	232,975	112,271		30	-		225	15,000		133,540
Sale of goods and services	3,285	4,639		171	2,462		137,631	134,198		142,699
Rental income	2,835	3,206		246	245		211,669	210,312		213,894
Grants and subsidies	-	1		57,514	60,664		19	-		61,242
Interest	538	595		-	4		1,220	1,356		2,334
Commissions received	-	37		-	-		-	-		37
Gain from the disposal of non-current assets	11,073	2,815		-	-		-	1,931		4,760
Resources received free of charge	1,808	57		-	-		899	-		7,067
Other income	35,071	35,828		11,997	14,839		2,863	5,237		62,906
Total Income	776,009	637,169		162,469	168,531		377,843	389,744		1,226,939
NET REVENUE FROM (COST OF) PROVIDING SERVICES	269,425	141,956		(360,768)	(324,932)		(60,819)	(57,609)		(333,514)

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2016

	Land Use Planning		Road Safety		Recreation, Sport and Racing	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	156	-	-	10	500	151
Inventories	-	-	-	-	-	-
Other assets	33	19	14	6	97	114
Non-current assets classified as held for sale	-	-	-	-	-	-
Land, buildings and facilities	-	-	540	590	289,868	270,152
Plant and equipment	20	44	2,101	2,485	775	1,392
Network assets	-	-	-	-	-	-
Capital works in progress	-	101	4,563	7,027	118	4
Intangible assets	246	351	354	761	20	30
Total Assets	455	515	7,572	10,879	291,378	271,843
LIABILITIES:						
Payables	1,080	1,662	1,067	1,212	3,880	2,246
Borrowings	-	-	-	-	260	1,484
Employee benefits	8,272	9,073	3,172	3,335	5,178	4,346
Provisions	621	522	238	192	389	256
Other liabilities	13	238	-	-	248	559
Total Liabilities	9,986	11,495	4,477	4,739	9,955	8,891

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2016

	Office of Local Government		Roads and Marine		Public Transport	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	-	-	62,986	60,019	5,761	5,656
Inventories	-	-	4,577	4,974	6,370	7,791
Other assets	-	-	21,835	109	559	655
Non-current assets classified as held for sale	-	-	-	-	-	-
Land, buildings and facilities	-	-	826,239	783,808	392,609	771,756
Plant and equipment	-	-	49,863	49,499	638,160	689,507
Network assets	-	-	18,373,260	18,067,689	1,842,438	1,925,947
Capital works in progress	-	-	660,346	281,897	3,879	4,768
Intangible assets	-	-	8,749	10,635	2,463	7,594
Total Assets	-	-	20,007,855	19,258,630	2,892,239	3,413,674
LIABILITIES:						
Payables	55	55	100,107	57,620	42,258	41,493
Borrowings	-	-	-	-	-	-
Employee benefits	520	554	20,805	18,809	20,521	20,361
Provisions	39	32	19,224	18,321	1,541	1,226
Other liabilities	-	-	1,212	1,779	8,321	7,645
Total Liabilities	614	641	141,348	96,529	72,641	70,725

Department of Planning, Transport and Infrastructure
DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES
as at 30 June 2016

	Infrastructure Planning and Management		General / Not Attributable		TOTAL
	2016	2015	2016	2015	
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:					
Cash and cash equivalents	-	-	2,125,602	1,423,773	1,423,773
Receivables	102,039	75,985	6,256	4,198	146,019
Inventories	2	2	-	-	12,767
Other assets	67,258	46,914	-	-	47,817
Non-current assets classified as held for sale	140,157	142,298	-	-	142,298
Land, buildings and facilities	1,091,622	1,089,407	-	-	2,915,713
Plant and equipment	39,026	3,754	-	-	746,681
Network assets	-	-	-	-	19,993,636
Capital works in progress	53,884	45,955	-	-	339,752
Intangible assets	21,765	18,097	-	-	33,597
Total Assets	1,515,753	1,422,412	2,131,858	1,427,971	25,805,924
LIABILITIES:					
Payables	106,594	53,085	-	-	157,373
Borrowings	14,786	15,290	-	-	16,774
Employee benefits	40,087	47,679	-	-	104,157
Provisions	3,002	2,739	-	-	23,288
Other liabilities	61,318	44,772	281	145	55,138
Total Liabilities	225,787	163,565	281	145	356,730

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 1: Objectives of the Department of Planning, Transport and Infrastructure

The Department of Planning, Transport and Infrastructure (the Department) has diverse responsibilities for transport systems and services, infrastructure planning and provision, sporting infrastructure, and strategic land use within South Australia.

The Department ensures that South Australia's needs for the movement of people and freight, and the delivery of services across the transport and infrastructure sectors, are met in a safe, efficient, cost effective and sustainable manner. The Department also plays a leadership role in the management of public sector building assets and infrastructure, elite sports pathways, administration of the State's land titles, and the State's land use and development planning for all South Australians.

Note 2: Departmental Organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all divisions and enables an open and steady flow of information between these areas.

The divisions of the Department as at 30 June 2016 are:

- People and Business
- Safety and Service
- Development

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 3: Summary of Significant Accounting Policies

3.1 Statement of Compliance

The Department has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general-purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Department has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

Except for AASB 2015-7, which the Department has early adopted, 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 2016. Refer to Note 4.

3.2 Basis of Preparation

The preparation of the financial statements requires:

- a) the use of certain accounting estimates and the exercise of judgement in the process of applying the Department's accounting policies. Any areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- b) 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; and
- c) compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*.

In the interest of public accountability and transparency the following note disclosures are included in this financial report:

- a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature;
- b) expenses incurred as a result of engaging consultants;
- c) employee targeted voluntary separation package information;
- d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (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; and
- e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been valued in accordance with specific applicable valuation policies described in Notes 28 to 33. The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle with amounts presented in Australian currency.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented.

3.3 Reporting Entity

The Department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the Department.

The Department does not control any other entity and has no interests in unconsolidated structured entities.

In making this assessment, the Department considered its power over the entity, its exposure or rights (eg protective and substantive rights) to variable returns from its involvement with the entity and the ability to use its power to affect return amounts (eg ability to direct relevant major activities).

The Department has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

Transactions and balances relating to administered resources are not recognised as Departmental controlled 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 following the controlled Departmental general purpose financial statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for Departmental transactions.

3.4 Budgeted Amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2015-16 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to the financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with the line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

3.5 Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements has required a change or where prior period errors are corrected.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted unless impracticable. Where retrospective application of changes to accounting policies and recognition of errors has occurred, relevant comparative amounts have also been amended.

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

3.6 Rounding

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

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

3.7 Business Overheads

The Department adopts a full cost approach to the costing of its infrastructure capital and recurrent works. This methodology entails the allocation of a proportionate share of overheads to these activities based on a regime of cost drivers. Costs that are typically allocated using these cost drivers include general engineering and field related expenses, and goods or services that support the resources directly engaged in working on these activities.

Business overheads relating to those functions or areas responsible for the management and control of property, building, information and communication technology assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and programs in line with the Department's full cost approach methodology.

Costs normally associated with the establishment and operation of governance frameworks designed to support the role of Executive Management are not attributed to individual specific works and are borne by the Department as a whole.

3.8 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, income tax equivalents and local government rate equivalents.

With respect to goods and services tax, 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 Australian Tax Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

The Department prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, the Department is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in the Department's Statement of Financial Position and the GST cash flows recorded in the Department's Statement of Cash Flows.

With respect to tax equivalents, the Department is liable to pay income tax equivalents to the Consolidated Account in relation to the commercial operations of the Property Directorate.

In determining its tax equivalent commitments, the Department utilises the 'Accounting Profits' model. Under this model, income tax expense is calculated separately for each taxable entity by applying the companies' income tax rate (currently 30%) to the accounting profit for the year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Income tax equivalent payments are included in Payments to SA Government in the Statement of Comprehensive Income.

3.9 Events After the Reporting Period

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

3.10 Transferred Functions

Assets, liabilities and contributed capital transferred to or from the Department under government restructuring arrangements are reported in accordance with Accounting Policy Statements contained within Accounting Policy Framework II *General Purpose Financial Statements Framework*, Australian Accounting Standard AASB 1004 *Contributions* and Interpretation 1038 *Contributions made to wholly-owned public sector entities*.

Refer to Note 42 for details of controlled functions transferred to and from the Department during the year.

3.11 Income

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

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

The following are specific recognition criteria:

Fees and Charges

Revenues from the levying of fees or charges set in accordance with various legislative acts (e.g. vehicle registration and drivers' licence fees) are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

Sale of Goods and Services

Revenues are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of those goods and services to the customers or by reference to the stage of completion, where possible.

Rental Income

Rental income consists of office accommodation, government employee housing and other property rentals. Commercial property rental is payable in advance, other rentals are payable in arrears.

Grants and subsidies received

Grant revenue is recognised as income at the time the Department obtains control over the grant funds or obtains the right to receive the grant funds. For grants with unconditional stipulations, control generally occurs when the Department has been formally advised that the grant has been approved, the agreement has been signed and the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Commonwealth grant revenues are received directly from the Federal Government or via the Department of Treasury and Finance (DTF). These grants are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

Net Gain from Disposal of Non-Current Assets

Gains or losses from the disposal of non-current assets are recognised on a net basis on the face of the Statement of Comprehensive Income when control of the asset has passed to the buyer. When revalued assets are sold, with the exception of commercial properties, the revaluation surplus in equity in respect of the assets is transferred to retained earnings.

Resources Received Free of Charge

Resources received free of charge may include assets (e.g. land, buildings or other property) contributed to the Department at no value or minimal value. Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value when control has passed to the Department. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased if they had not been donated.

Revenues from SA Government

Revenues from SA Government include monies appropriated to the Department under the *Appropriation Act* or other Acts. These appropriations are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds. 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 Income

Other income consists of recoveries and contributions, reimbursement works and external project contributions and intra government transfers.

3.12 Expenses

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

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

The following are specific recognition criteria:

Employee Benefit Expenses

Employee benefit expenses are recognised when incurred and consist of wages and salaries, including amounts sacrificed, leave entitlements, employment on-costs such as payroll tax and superannuation, workers compensation payments, and other employee related expenses.

With respect to superannuation, the amount charged to the Statement of Comprehensive Income includes the contributions made by the Department to the superannuation plan in respect of current services provided by Departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and Amortisation

The useful life of an asset is generally determined on the basis of "economic useful life to the Department". The useful lives of all major assets held by the Department are reassessed on an annual basis.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

All non-current assets having a limited useful life are systematically depreciated/amortised over their estimated useful lives in a manner that reflects the consumption of their service potential. Land, unsealed roads (graded and formed), rail and road earthworks, non-current assets held-for-sale and works in progress are not depreciated.

The value of equipment assets under finance lease is amortised over the shorter of the lease term and the underlying asset's useful life. The value of building assets under finance lease is amortised over the asset's useful life. Capitalised software is amortised over the useful life of the intangible asset.

Depreciation, amortisation for non-current assets are determined as follows:

<u>Asset Class</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Leased Assets:		
Computers and network printers	Straight Line	3 to 4 years
Buildings and Facilities:		
Buildings and facilities	Straight Line	3 to 146 years
Plant and Equipment:		
Plant and equipment	Straight Line	2 to 112 years
Buses	Diminishing Value	8 to 25 years
Tram and train rolling stock	Straight Line	30 years
Information technology	Straight Line	3 to 10 years
Network Assets:		
Roads (sealed surface)	Straight Line	22 to 29 years
Roads (sealed pavement)	Straight Line	40 to 70 years
Roads (sheeted)	Straight Line	18 years
Bridges and culverts	Straight Line	32 to 155 years
Metro rail lines track and structures	Straight Line	7 to 149 years
Bus track and structures	Straight Line	10 to 91 years
Other	Straight Line	4 to 100 years
Intangible Assets:		
Software	Straight Line	3 to 14 years

Pavement sub-base, Earthworks, Graded and formed unsealed roads have indefinite useful lives and are not depreciated

Grants and Subsidies Paid

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

Grants provided by the Department to other entities are generally unconditional in nature.

Borrowing Costs

In accordance with Accounting Policy Framework II: *General Purpose Financial Statements* APS 3.6, borrowing costs are recognised as expenses in the period in which they are incurred.

Resources Provided Free of Charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value in the expense line items to which they relate. For example, assets contributed by the

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Department to other entities at no value or minimal consideration are disclosed separately under 'Other Expenses' as donated assets.

Payments to SA Government

Payments to SA Government include payment for tax equivalents and regulatory fees received and paid to the Consolidated Account.

3.13 Current and Non-Current Classification

Assets and liabilities are classified as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the 12 month operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3.14 Assets

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

Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows includes cash on hand and deposits at call that are readily converted to cash and are used in the day-to-day cash management function of the Department. Cash is measured at nominal value.

Administered cash is reported separately in the administered financial statements.

Receivables

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

Trade Receivables

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

If payment from a debtor has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department may be able to charge interest at commercial rates until the whole amount of the debt is paid.

The collectability of receivables is reviewed on an ongoing basis. The Department determines an allowance for doubtful debts based on an annual review of the balance of trade receivables. The 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.

Loan Receivables

In accordance with the requirements of Accounting Policy Framework IV *Financial Asset and Liability Framework*, the Department measures financial assets such as loan receivables at their historic cost, except interest free loans which are measured at the present value of expected repayments.

Finance Lease Receivables

The Department has entered into a number of finance lease arrangements as lessor for the purpose of providing housing and accommodation. Receivables to be derived from these lease arrangements have been brought to account in the Statement of Financial Position in accordance with the requirements of Australian Accounting Standards *AASB 117 Leases*.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Inventories

Inventories include goods and other property held either for sale, use or for distribution in the ordinary course of business and excludes depreciable assets.

Inventories held for distribution at no or nominal considerations, are measured at cost and are adjusted where applicable for any loss of service potential. The basis used in assessing loss of service potential includes current replacement cost and technological or functional obsolescence. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Inventories of roadside materials are measured at historic cost and stores are measured on a weighted average historic cost basis. Inventories held for works performed for clients external to the Department are measured at cost.

Contracts in Progress

The Department acts as project manager for major capital works in relation to government buildings or government accommodation and for a range of minor capital works and maintenance type activities associated with the role of facilities manager.

Profits on these contracts are brought to account on a percentage of completion basis as determined under current engineering estimates and in accordance with Australian Accounting Standard AASB 111 *Construction Contracts*. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

The expenses incurred in undertaking these capital works and/or maintenance activities and the revenue from charging the respective government departments are transacted within the Statement of Financial Position. The net of the expenditure incurred and the revenue recovered is accounted for as a receivable or payable.

Non-Current Assets - Acquisition and Recognition

The Department capitalises non-current physical assets with an individual or grouped value of \$10,000 or greater in accordance with policies that are consistent with Accounting Policy Framework III *Asset Accounting Framework* and the requirements of Accounting Standard AASB 116 *Property, Plant and Equipment*. Exceptions to this policy are assets under construction, land and buildings and assets categorised as "grouped assets" in the Department's policy which are capitalised irrespective of their value.

Assets under construction are capitalised from Capital Works in Progress to the appropriate asset classes at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 9.7 the Department has elected not to recognise in its Statement of Financial Position the value of land under water because of the inherent difficulty in the reliable measurement of all land within this category.

APS 9.6 specifies that land under roads acquired before 1 July 2008, is not to be recognised by the Department as an asset. However, any land under roads acquired after 1 July 2008 has been recognised by the Department in accordance with AASB 1051 *Land Under Roads*, paragraph 15, when the asset recognition criteria are met. Land under roads includes land under roadways, road reserves, footpaths, nature strips and median strips.

Buildings or other structures residing on land acquired for current road projects are not separately recognised in the Statement of Financial Position. The costs incurred in acquiring the buildings in these instances are deemed to be part of the costs of acquiring the land.

Assets acquired and recognised by the Department are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs incurred with the acquisition.

Department of Planning, Transport and Infrastructure
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Where the Department acquires assets at no cost, or minimal cost, these items are recorded at their fair value in the Statement of Financial Position. 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 entity prior to the transfer.

Revaluation of Non-Current Assets

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.1 and 3.13, the Department revalues all its non-current physical assets to their estimated fair value. Revaluations are performed only in instances where the fair value of the asset or asset group at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

The Department generally revalues its assets every three years and always within six years, depending on the nature or purpose for which that asset is held. Assets are revalued by appropriately qualified valuation professionals, internal experts using external estimators or internal estimates based on recent transactions/indices. All valuers are independent unless otherwise indicated. The Valuer-General is considered an independent valuer as the Valuer-General is independent of the other functions of the Department.

When non-current assets are revalued, the Department uses the gross method in accounting for most assets with the exception of land and buildings that are subject to commercial leases and held for provision of government agency accommodation and for provision of housing of government employees in remote areas.

If at any time the carrying amount of an asset materially differs from its fair value, the Department revalues the asset regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are either held at cost until the next valuation, or revalued if the fair value is likely to be materially different from the acquisition value. The Department assesses material differences in fair value from notification from business units or changes in circumstances and environmental factors that the Department becomes aware of.

Revaluation movements are recorded in the Revaluation reserves. If within an asset class, an increment reverses a revaluation decrement previously recognised as an expense in the Statement of Comprehensive Income within that class, the increment is recognised as revenue but only to the extent of the decrement previously recognised in this financial statement.

Revaluation decrements are offset against any previous Revaluation increment and vice versa to the extent the previous movement permits for a particular class of asset and any remaining balance is recorded as an expense or revenue.

When assets are sold or otherwise disposed of, with the exception of commercial properties, the revaluation increments relating to those assets are transferred to Retained Earnings.

The valuation methodology applied to specific classes of non-current assets under revaluations and the timing of asset valuations are disclosed in the Notes applicable to those assets. See Notes 28 to 33.

Assets Acquired under Government Restructures or Other Changes in Administrative Arrangements

Former Australian National Rail Land, Buildings and Facilities continue to be progressively defined, valued and recorded in the Department's asset register as assets that are vested in or transferred to the Minister for Transport and Infrastructure.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2016

impairment loss. For revalued assets, an impairment loss is offset against the respective asset revaluation surplus. There were no impaired assets for 2015-16.

Remediation of Non-Current Assets

Land remediation undertaken by the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under *AASB 116 Property, Plant and Equipment*.

Where remedial work is to be performed in response to a present obligation, either under legislation or under a contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with the requirements of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. Other land remediation costs are therefore expensed in the period in which the obligation is recognised.

Fair Value Measurement

AASB 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date. The Department does not have any Level 1 assets.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly. For example, the Department has domestic housing and commercial building assets that are valued by comparing the subject properties to similar properties in similar areas.
- Level 3 – not traded in an active market and are derived from unobservable inputs. Examples in the Department include the rail and road networks.

Non-Financial Assets

In determining fair value, the Department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to Notes 28 to 34 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial Assets and Liabilities

The Department does not recognise any financial assets or financial liabilities at fair value.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

3.15 Liabilities

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

Payables

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable. All payables are measured at their nominal amount and are unsecured.

- *Creditors*

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid where an invoice has been received. Creditors are normally settled within 30 days after the Department receives an invoice in accordance with Treasurer's Instruction 11 *Payment of Creditors Accounts*.

- *Accrued Expenses*

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

- *Employment On-costs*

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

The Department also makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as these obligations have been assumed by the respective superannuation schemes. The only payable outstanding at reporting date relates to any contributions due but not yet paid.

- *Paid Parental Leave Scheme Payable*

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Borrowings

Borrowings consist of loans and finance leases.

Loans are recognised when issued at the full amount received and carried at this value less any repayments until the loan is settled.

Interest charges on loans and finance leases are expensed as 'borrowing costs' in the Statement of Comprehensive Income.

Leases

The Department has entered into finance leases and operating leases both as lessor and lessee and has recognised assets, liabilities, revenues and expenses associated with these business dealings in accordance with AASB 117 *Leases*.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

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 interest expense/borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

Finance Leases – the Department as Lessor

- *Recreational Jetties*

The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where jetties have been leased to Councils throughout the state. Peppercorn rents of \$1 per annum apply over the 25 or 99 year lease term for each lease.

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets have no value recorded in the Financial Statements.

- *Government Employee Housing*

The Department provides housing services on a leasehold basis to government employees based in remote areas of the state. As lessor, the Department recognises finance lease receivables in relation to these properties at an amount equal to the net investment in the lease.

Finance lease interest income is recognised based on the periodic rate of return on that net investment. Lease payments from the lessee are applied against the gross investment in the lease to reduce both the principal and the unearned interest income.

Finance Leases – the Department as Lessee

- *Government Accommodation – Roma Mitchell Building*

The Department is responsible for the finance lease in relation to government office accommodation for Roma Mitchell House, North Terrace and has recognised assets and liabilities at the fair value of the leased property. Lease liabilities under these arrangements are classified as both current and non-current, with the minimum lease payments allocated between interest expense/borrowing costs and the reduction of lease liability for the period.

The 40 year lease on Roma Mitchell House commenced in July 1987. Ownership of the building will transfer to the Department on payment of a nominal sum at the end of the lease. Under the terms and conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide Consumer Price Index.

- *Computer Hardware and Equipment*

The Department has entered into various lease arrangements as lessee with respect to the use of some of its computer hardware and equipment. Under the Australian Accounting Standards such agreements are treated as finance leases.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Operating Leases

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

- *Operating Leases – the Department as Lessor*

The Department leases commercial properties to external parties through operating leases. Income derived from these leases is recognised as rental income in the Statement of Comprehensive Income in the period in which it is earned, and is representative of the patterns of benefits derived from the leased assets.

- *Operating Leases – the Department as Lessee*

The Department has a number of operating lease agreements as lessee for land, motor vehicles, office equipment, other plant and commercial and residential accommodation. Operating lease payments are charged to the Statement of Comprehensive Income on a basis that is representative of the pattern of benefits derived from the leased assets.

- *Lease Incentives*

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received are recognised as a lease incentive liability. The aggregate benefits of the lease incentives received are recorded as a reduction of rental expense over the lease term on a straight line basis. Incentives provided to sub-lessees are recognised as a lease incentive asset. This asset is amortised over the life of the lease and recognised as a reduction of rental revenue on a straight line basis. Lease incentives in the form of leasehold improvements that are not subject to a sub-lease are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Employee Benefits

These benefits accrue to employees as a result of services provided up to 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, Sick Leave and Skills and Experience Retention Leave.*

The liability for salaries and wages is measured as the amount unpaid at reporting date at remuneration rates current at the reporting date.

The liability for annual leave and the skills and experience retention leave is expected to be payable within 12 months and is measured at the undiscounted amounts expected to be paid.

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

- *Long Service Leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

- *Employee Benefit On-Costs*

Related on-costs of payroll tax and superannuation are shown separately under the item Payables in the Statement of Financial Position as employment on-costs.

Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligations at reporting date.

Provisions have been reported to reflect workers compensation claims not settled and future remediation work required on land under the Ports Corp Business and Sale Agreement.

The workers compensation provision is an actuarial estimate of the outstanding liability as at the end of reporting date provided by a consulting actuary engaged by the Office for the Public Sector of the Department of Premier and Cabinet. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Department is responsible for the payment of workers compensation claims.

The land remediation provision has been calculated on the basis of revised project manager estimates of the value of future remedial work required to meet agreed environmental standards. Given that the remaining work has been scheduled to be completed in 2018-19, these estimates are discounted at their net present value in accordance with the requirements of paragraph 45 of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

Other Liabilities

The Department receives monies in advance in the form of conditional grants to undertake specific infrastructure works in future periods (e.g. Commonwealth funds for Specific Projects). As these works are completed the amounts received are recognised as revenues in the Statement of Comprehensive Income. The balance of any unspent grant monies as at 30 June is recognised as a liability in the Statement of Financial Position.

The Department receives incentives from building owners in relation to leased accommodation, including accommodation occupied by other government agencies. The value of these incentives is recognised as a liability at the time the incentive is received, and the liability is amortised over the life of the relevant lease on a straight line basis.

The Department sells Metrotickets for travel on public transport. The value of unused Metrotickets as at 30 June is recognised as a liability in the Statement of Financial Position.

3.16 Unrecognised Contractual Commitments and Contingent Assets and Liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are measured at their nominal amount. (Refer to Note 43).

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note, and if quantifiable, are measured at their nominal value. (Refer to Note 44).

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 4: New and Revised Accounting Standards and Policies

The Department did not voluntarily change any of its accounting policies during 2015-16.

Accounting Standards

Except for AASB 2015-7 which the Department has early adopted, 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 2016. The Department has assessed the impact of the new and amended standards and interpretations.

The new standard AASB 16 *Leases* will apply for the first time to the Department's 30 June 2020 financial report. It introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.

This new standard is a significant change from the past 30 years of accounting for leases. It will require the Department to record almost all lease arrangements on-balance sheet. There will be significant work for the Department to bring all leases currently treated as operating onto balance sheet. The Department will commence its analysis of current leasing arrangements based on AASB 16 shortly. The Department will apply the new standard from the reporting period beginning 1 July 2019.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 5: Activities of the Department

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

- | | |
|-------------------|--|
| Activity 1 | Land Use Planning
Administering the South Australian Planning and Development System, leading and presenting South Australia's strategic land use and development planning, and assessing applications for land use and development. |
| Activity 2 | Road Safety
Provision of policy and investment advice, community information on road safety, and the provision of services on safe and sustainable road use and travel behaviour. |
| Activity 3 | Recreation, Sport and Racing
Provision of strategic policy, programs, services, sporting infrastructure and elite sport pathways aimed at increasing participation, developing a sustainable sport and recreation sector and ensuring that all South Australians are able to enjoy lives enriched through participation in active recreation and sport.

This program also includes the provision of strategic policy advice to the Minister for Recreation and Sport on matters relating to the South Australian racing industry. |
| Activity 4 | Office of Local Government
The Office of Local Government provides policy and other advice to the Minister for Local Government. |
| Activity 5 | Roads and Marine
Provision of safe, effective and efficient maintenance and operational services to manage the Department's controlled road and marine infrastructure. This program also includes the regulation of driver and vehicle access to the transport network. |
| Activity 6 | Public Transport
Provision and maintenance of safe, efficient, equitable and accessible public transport services and infrastructure in metropolitan Adelaide and assist regional councils and communities to deliver diverse passenger transport services. |
| Activity 7 | Infrastructure Planning and Management
Provision of planning and investment advice for state transport infrastructure and services to government agencies in relation to the construction and maintenance of building and properties. The program also includes statutory services and information to the community related to land titling, surveying, valuation and other land administration functions. |

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2016 and 30 June 2015.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 6: Employee Benefit Expenses

	2016	2015
	\$'000	\$'000
Salaries and wages	159,222	162,551
Board and committee fees (refer below)	472	578
Employment on-costs - superannuation	18,481	20,993
Employment on-costs - payroll	9,764	11,357
Annual leave	16,393	18,329
Long service leave	7,283	8,609
Workers compensation expenses	5,068	2,169
TVSPs payments (refer below)	9,792	14,629
Skills and Experience Retention Leave	1,036	1,123
Other employee related expenses	2,532	5,316
Total Employee Benefit Expenses	230,043	245,654

Targeted Voluntary Separation Packages (TVSPs)

	2016	2015
	\$'000	\$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	9,792	14,629
Annual leave, LSL and SERL paid to those employees	7,212	11,812
	17,004	26,441
Recovery from the Department of Treasury and Finance	(9,840)	(2,261)
Net Cost to the Department	7,164	24,180

The number of employees who received a TVSP during the reporting period was 152 (210).

The Department received reimbursement for all TVSPs taken in 2015-16 plus an additional \$0.047million as claim for reimbursement was made on estimated payments submitted to the Department of Treasury and Finance in March 2016.

The Department expected to recover \$12.136 million in relation to TVSPs as at 30 June 2015. None of this money was received in 2015-16 due to the favourable cash position of the Department as at 30 June 2015.

In addition, there were executive termination payments of \$1.380 million (\$3.672 million) paid during the year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Remuneration of Employees

	2016	2015
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$141 500 - \$145 000*	n/a	11
\$145 001 - \$155 000	13	17
\$155 001 - \$165 000	11	15
\$165 001 - \$175 000	9	7
\$175 001 - \$185 000	4	1
\$185 001 - \$195 000	4	1
\$195 001 - \$205 000 (f)	1	8
\$205 001 - \$215 000 (a), (h)	7	7
\$215 001 - \$225 000 (h)	3	8
\$225 001 - \$235 000 (a), (l)	3	10
\$235 001 - \$245 000 (c), (k)	4	9
\$245 001 - \$255 000 (c), (l)	4	12
\$255 001 - \$265 000 (b), (e)	3	4
\$265 001 - \$275 000 (a), (l)	1	9
\$275 001 - \$285 000 (a), (e)	1	3
\$285 001 - \$295 000 (b), (h)	2	5
\$295 001 - \$305 000 (a), (j)	2	9
\$305 001 - \$315 000 (h)	-	5
\$315 001 - \$325 000 (h)	2	5
\$325 001 - \$335 000 (e)	-	2
\$335 001 - \$345 000 (d)	1	1
\$345 001 - \$355 000 (e)	-	2
\$365 001 - \$375 000 (g)	-	4
\$375 001 - \$385 000 (a), (f)	1	3
\$385 001 - \$395 000 (e)	-	3
\$415 001 - \$425 000	1	-
\$435 001 - \$445 000 (d)	-	1
\$445 001 - \$455 000 (d)	-	1
\$455 001 - \$465 000 (d)	-	1
\$465 001 - \$475 000 (e)	-	2
\$485 001 - \$495 000 (d)	-	1
\$495 001 - \$505 000 (b), (e)	2	2
\$505 001 - \$515 000 (d)	-	1
\$515 001 - \$525 000 (d)	-	1
\$735 001 - \$745 000 (a)	1	-
\$755 001 - \$765 000 (d)	-	1
Total Number of Employees	80	172

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2014-15.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$17.7 million (\$43.0 million).

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

(a)	2016 - includes TVSP, executive termination payment for one employee
(b)	2016 - includes TVSP, executive termination payment for two employees
(c)	2016 - includes TVSP, executive termination payment for three employees
(d)	2015 - includes TVSP, executive termination payment for one employee
(e)	2015 - includes TVSP, executive termination payment for two employees
(f)	2015 - includes TVSP, executive termination payment for three employees
(g)	2015 - includes TVSP, executive termination payment for four employees
(h)	2015 - includes TVSP, executive termination payment for five employees
(i)	2015 - includes TVSP, executive termination payment for six employees
(j)	2015 - includes TVSP, executive termination payment for seven employees
(k)	2015 - includes TVSP, executive termination payment for eight employees
(l)	2015 - includes TVSP, executive termination payment for nine employees

The Department had 40 (46) number of Executives as at 30 June 2016.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Remuneration of Board and Committee Members

Members during the 2015-16 financial year were:

Passenger Transport Standards Committee

BASSHAM I G
 BIRCH C P
 BORLACE M S
 BURTON G R
 GOULD J
 GUNNER D J
 HANLON S A
 KING B
 MADAN V
 MCKENZIE J D B
 MORTIMER K P *
 O'DEA M
 OPIE A L
 PARRY- JONES K
 POTTS D G
 SPAGNOLETTI M *
 TIDDY J M
 TIDEMAN J
 WIGGLESWORTH R *

Development Assessment Commission

BRANFORD C J
 CRAFTER S J
 DUNGEY P J
 DYER H
 FOGARTY S M
 MUTTON D R
 O'LOUGHLIN D A

Building Advisory Committee

CARUSO A (re-appointed 1/10/15)
 FENNELL B (re-appointed 1/10/15)
 HARMER P (re-appointed 1/10/15)
 KAMENCAK G * (appointed 1/10/15)
 KARUPPIAH N (appointed 1/10/15)
 O'DEA D (re-appointed 01/10/15)
 ROWLAND K (re-appointed 1/10/15)
 SHILLABEER J (re-appointed 01/10/15)

Audit and Risk Committee

BENGER K (resigned 19/8/15)
 BROWN G *
 COOPER C (appointed 21/9/15)
 JOHNSON C
 MCQUILLAN S *
 POWELL D
 TEPOHE J *

Local Heritage Advisory Committee

DITTER S L S (re-appointed 1/7/15)
 FITZPATRICK S R * (appointed 1/7/15)
 HARRY D B (re-appointed 1/7/15)
 LEADBETER P D (re-appointed 1/7/15)
 LEYDON G J (appointed 1/7/15)
 LINDSAY D M (appointed 1/7/15)
 SCHULZ J (re-appointed 1/7/15)
 TAYLOR R J (appointed 1/7/15)

Development Policy Advisory Committee

BARONE M (appointment ended 30/6/15)
 CANNY M J (appointment ended 30/6/15)
 DITTER S L S (appointment ended 30/6/15)
 FILBY S (re-appointed 23/7/15)
 GAGETTI R L (appointment ended 30/6/15)
 HOOPER S P (re-appointed 23/7/15)
 HOWDEN S V (appointed 23/7/15)
 HOUGH D (appointment ended 30/6/15)
 KLOBAS M J (re-appointed 23/7/15)
 LEWIS F (appointed 23/7/15)
 MOULDS B J (appointed 23/7/15)
 STARICK S R (appointed 23/7/15)
 STIMSON J A (appointed 23/7/15)
 THOMAS R A (appointed 23/7/15)
 VINCENT C (re-appointed 23/7/15)

Building Rules Assessment Commission

AGGISS J * (appointed 1/09/15)
 CAPETANAKIS G (re-appointed 01/09/15)
 CARUSO C (re-appointed 1/09/15)
 FRISBY D (re-appointed 1/09/15)
 HOPKINS K (appointed 1/09/15)
 INGERSON N (appointed 1/09/15)
 LOCHERT R * (appointed 1/09/15)
 MAZZAROLO J (re-appointed 1/09/15)
 MENADUE B (appointed 1/09/15)
 PATON C * (appointed 1/09/15)
 PAYNE B (appointed 1/09/15)
 PAYNE J * (re-appointed 1/09/15)
 PRELGAUSKUS E (re-appointed 1/09/15)
 ROBINSON D (re-appointed 1/09/15)
 SANDS R V (appointment expired 31/08/15)
 SLOAN D (re-appointed 1/09/15)
 STEER B (appointed 1/09/15)
 TAYLOR A (re-appointed 1/09/15)

Inner Metropolitan Development Assessment Commission

BATEUP R
 BROOKMAN A
 BRANFORD C
 BURMAN B
 COOKE D
 CRAFTER S J
 CUNNINGHAM N
 DUNGEY P J
 DYER H L
 FOGARTY S
 GILL C
 HODGSON J
 LLOYD-JONES G
 MUTTON D
 NEWMAN J
 O'LOUGHLIN D A
 STOKES W

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

South Australian Boating Facility Advisory Committee

ANDREW B (appointed 13/9/15)
 BIRCH K (appointed 13/9/15)
 BOLTON G (appointed 13/9/15)
 BRUNDELL V (appointed 13/9/15)
 BUTTON R (appointed 13/9/15)
 CUMING R (appointed 13/9/15)
 HOLDER K (appointed 1/12/15)
 HOLDER S (appointed 13/9/15)
 JANZOW I (resigned 23/6/16)
 PAYZE R (appointed 13/9/15)
 SCHAHINGER B (appointed 13/9/15)
 SPRUYT C (appointed 13/9/15)
 STEER J (appointed 13/9/15)
 STEPHENS L (appointed 13/9/15)
 WHEELER A (appointed 13/9/15)

Port Adelaide Development Advisory Committee

BLENCOWE S (appointed 17/8/15)
 BRANFORD C
 CRAFTER S J
 DUNGEY P J
 DYER H L
 EXCELL R (appointed 17/08/15)
 FOGARTY S M
 MUTTON D R
 O'LOUGHLIN D A

	2016	2015
The number of members whose remuneration received/receivable falls within the following bands:	Number	Number
\$1 - \$9 999	59	57
\$10 000 - \$19 999	1	13
\$20 000 - \$29 999	-	2
\$30 000 - \$39 999	-	5
\$40 000 - \$49 999	6	-
\$50 000 - \$59 999	-	1
\$60 000 - \$69 999	-	1
\$70 000 - \$79 999	1	-
Total Number of Members	67	79

Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, fringe benefits tax and other salary sacrifice arrangements. The total remuneration received by members was \$0.517 million (\$0.677 million).

The decrease of the total number of members was due to the abolishment of four boards/committees during 2014-15 financial year.

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

* In accordance with the Premier and Cabinet Circular No. 16, government employees did not receive any remuneration for board/committee duties during the financial year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 7: Supplies and Services

	2016 \$'000	2015 \$'000
Supplies and Services		
Bus service contracts	195,434	195,153
Rail Commissioner salary reimbursements	56,776	55,268
Major infrastructure maintenance contracts	55,749	52,124
Other service contracts	86,197	84,188
Consultants	207	354
Operating leases	166,528	155,944
Property expenses	114,387	109,881
Plant, equipment and vehicle expenses	12,160	10,679
Information technology	8,571	7,788
Materials and other purchases	23,137	25,523
Utilities	31,296	32,615
Insurance	6,299	5,605
Legal services	1,938	2,055
Commissions - transaction processing	2,511	2,522
Auditor's remuneration (refer Note 12)	1,063	1,081
Administrative costs	6,792	6,966
Payment to Service SA - registration and licensing collection	32,934	31,633
Other	23,728	33,286
Total Supplies and Services	825,707	812,665

Consultancies

The number and dollar amount of consultancies paid/payable that fell within the following bands:

	No.	2016 \$'000	No.	2015 \$'000
Below \$10 000	1	1	3	14
Above \$10 000	4	206	13	350
Total Paid / Payable to the Consultants Engaged	5	207	16	364

During the year ended 30 June 2016, the Department spent \$0.207 million (\$0.364 million) on consultancies. Operating expenditure of \$0.207 million (\$0.354 million) is reflected in the Statement of Comprehensive Income and nil (\$0.010 million) is capital expenditure.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 8: Depreciation and Amortisation Expense

	2016 \$'000	2015 \$'000
Depreciation:		
Network assets	259,300	259,539
Plant and equipment	77,241	59,073
Buildings and facilities	49,928	50,061
Total Depreciation	386,469	368,673
Amortisation:		
Leased assets	1,614	1,864
Intangibles assets	6,318	5,601
Total Amortisation	7,932	7,465
Total Depreciation and Amortisation Expense	394,401	376,138

Change in Depreciation Due to a Revision of Accounting Estimate

In 2015-16 the Department reassessed the useful life of some of its assets. This review resulted in an increase of \$16.201 million in depreciation expense for the 2015-16 year relative to the amount that would have been expenses based on the previous estimate of the useful life. The higher depreciation expense will also be reflected in future years.

Note 9: Grants and Subsidies

	2016 \$'000	2015 \$'000
Grants and Subsidies		
Contribution for policing services	39,481	38,519
Transport Subsidy Scheme	10,059	10,164
Grants to local councils	11,260	5,533
Transport concessions	4,425	4,355
Grants by Office for Recreation and Sport	37,680	21,491
Other	6,277	4,883
Total Grants and Subsidies	109,182	84,945

Note 10: Borrowing Costs

	2016 \$'000	2015 \$'000
Interest paid/payable on Borrowing Costs:		
Finance charges on finance leases	939	1,117
Total Borrowing Costs	939	1,117

Department of Planning, Transport and Infrastructure
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Note 11: Other Expenses

	2016	2015
	\$'000	\$'000
Other Expenses		
Rates, taxes and levies	9,428	8,446
Donated assets	1,629	2,573
Bad and doubtful debts expense	2,664	99
Write-off of an asset	1,355	850
Indentured Ports *	11,424	13,036
Site remediation	143	259
Payment to National Heavy Vehicle Regulator – State Contribution	13,648	13,648
Other	315	421
Total Other Expenses	40,606	39,332

* This relates to amounts returned to the Consolidated Account in accordance with section 90 of the *Harbours and Navigation Act 1993*.

Note 12: Auditor's Remuneration

	2016	2015
	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	1,063	1,081
Total Audit Fees	1,063	1,081

Other Services

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of Supplies and Services (refer to Note 7).

Department of Planning, Transport and Infrastructure
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Note 13: Fees and Charges

	2016	2015
	\$'000	\$'000
Fees and Charges		
Drivers licence fees	48,721	46,393
Metrotickets	90,456	88,012
Motor registrations	413,497	402,546
Marine related fees and charges	23,190	24,085
Land services fees	15,397	15,018
Other fees and charges	22,889	22,406
Total Fees and Charges	614,150	598,460

Road Safety

In accordance with the *Highways Act 1926*, \$8.120 million (\$7.732 million) being one-sixth of driver's licence collections and \$0.946 million (\$0.943 million) being 1/100th of Heavy Vehicle Registrations, was applied towards funding transport safety related initiatives under the Road Safety activity.

Note 14: Commonwealth Revenues

	2016	2015
	\$'000	\$'000
Commonwealth Revenues		
Commonwealth grants received via DTF *	234,429	130,243
National Land Transport Act 2014 **	8,854	2,893
Other Commonwealth revenues ***	464	404
Total Commonwealth Revenues	243,747	133,540

* Commonwealth grants received from the DTF represent mainly *Nation Building Program (National Land Transport) Act 2014* and *Interstate Road Transport Act 1985* funding.

** *Nation Building Program (National Land Transport) Act 2014* represents Roads to Recovery funding.

*** Other Commonwealth revenue includes the Australian Sports Commission and Indigenous Sports Programmes.

Note 15: Sales of Goods and Services

	2016	2015
	\$'000	\$'000
Sale of Goods and Services		
Maintenance services	104,409	101,670
Other sale of goods	204	5,350
Other sale of services	37,878	35,679
Total Sale of Goods and Services	142,491	142,699

Department of Planning, Transport and Infrastructure
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Note 16: Rental Income

	2016	2015
	\$'000	\$'000
Rental Income		
Government accommodation	205,602	204,242
Property rents and recoveries	3,503	3,952
Other lease income	5,817	5,700
Total Rental Income	214,922	213,894

Note 17: Grants and Subsidies

	2016	2015
	\$'000	\$'000
Grants and Subsidies		
Concessional passenger income	57,283	60,482
Grants received by Office for Recreation and Sport	451	577
Other	250	183
Total Grants and Subsidies	57,984	61,242

Concessional Passenger Income

This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

Note 18: Interest

	2016	2015
	\$'000	\$'000
Interest	2,134	2,334
Total Interest	2,134	2,334

The interest relates predominantly to the Rail Transport Facilitation, Community Road Safety, Boating Administration Working Account, Facilities (Marine) and Commonwealth Funding Received for Specific Project funds.

Note 19: Commissions Received

	2016	2015
	\$'000	\$'000
Commissions received	35	37
Total Commissions Received	35	37

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Note 20: Net Gain (Loss) from Disposal of Non-Current Assets

	2016 \$'000	2015 \$'000
Net gain (loss) from the disposal of non-current assets received/receivable:		
Land, Buildings and Facilities:		
Proceeds from disposal	19,472	4,122
Net book value of assets disposed	(17,212)	(2,635)
Net gain (loss) from disposal of land, buildings and facilities	2,260	1,487
Plant and Equipment:		
Proceeds from disposal	900	549
Net book value of assets disposed	(1,020)	(1,315)
Net gain (loss) from disposal of plant and equipment	(120)	(766)
Non-Current Assets Held for Sale:		
Proceeds from disposal	3,735	46,929
Net book value of assets disposed	(4,064)	(43,291)
Costs incurred to facilitate disposal	(120)	(168)
Net gain (loss) from disposal of non-current assets held for sale	(449)	3,470
Intangibles:		
Net book value of assets disposed	-	(33)
Net gain (loss) from disposal of non-current assets held for sale	-	(33)
Total Assets:		
Proceeds from disposal	24,107	51,600
Net book value of assets disposed	(22,296)	(47,274)
Costs incurred to facilitate disposal	(120)	(168)
Total net gain (loss) from disposal of non-current assets	1,691	4,158

Department of Planning, Transport and Infrastructure
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Note 21: Resources Received Free of Charge

	2016	2015
	\$'000	\$'000
Resources received/receivable free of charge:		
Land, buildings and facilities	3,308	7,015
Plant and equipment	110	52
Total Resources Received Free of Charge	3,418	7,067

This represents assets received by the Department for no consideration and recognised at fair value.

Note 22: Other Income

	2016	2015
	\$'000	\$'000
Other Income		
Recoveries and contributions	24,721	23,705
Reimbursement works and external project contributions	12,991	15,957
Intra government transfers	17,492	23,149
Sundry income	316	95
Total Other Income	55,520	62,906

Note 23: Revenues from (Payments to) SA Government

	2016	2015
	\$'000	\$'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	385,063	308,408
Appropriations from the Governor's Appropriation Fund	-	50,000
Transfers from contingency provisions	41,525	10,827
Transfers from Motor Accident Commission *	448,500	852,900
Total Revenues from SA Government	875,088	1,222,135
Payments to SA Government:		
Local government and income tax equivalent payments (Refer Note 3.8)	3,609	4,202
Other payments to Consolidated Account **	1,991	75,775
Total Payments to SA Government	5,600	79,977

* Includes funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements \$448.5million (\$852.9 million).

** Includes in 2015 mainly the transfer of proceeds from the sale of 60 Wakefield Street, Netley Commercial Park and 21 Divett and 11 Penny place properties.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
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Note 24: Cash and Cash Equivalents

	2016 \$'000	2015 \$'000
Deposits at call with the Treasurer	2,123,171	1,422,554
Imprest Account	108	106
Deposits with SAFA	2,245	1,042
Other	78	71
Total Cash and Cash Equivalents	2,125,602	1,423,773

Deposits at call with the Treasurer

Includes funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements \$448.5million (\$852.9 million).

Other

Includes petty cash floats, cashiers' floats and other cash on hand.

Interest Rate Risk

Cash and cash equivalents are both interest and 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.

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Note 25: Receivables

	2016 \$'000	2015 \$'000
Current:		
Receivables	75,719	87,774
Allowance for doubtful debts	(3,901)	(1,334)
Finance lease receivables	763	737
Loan receivables	2,388	138
GST input tax recoverable	10,241	5,196
Accrued revenues	55,064	41,958
Lease incentives	29,737	865
Total Current Receivables	170,011	135,334
Non-Current:		
Receivables	88	2,335
Finance lease receivables	5,559	6,233
Loan receivables	2,040	2,117
Total Non-Current Receivables	7,687	10,685
Total Receivables	177,698	146,019

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 an impairment loss has been recognised in 'Other Expenses' in the Statement of Comprehensive Income for specific debtors where such evidence exists.

Movements in the allowance for doubtful debts (impairment loss):	2016 \$'000	2015 \$'000
Carrying amount at 1 July	1,334	2,680
Increase in the provision	2,702	763
Amounts written off	(51)	(1,445)
Amounts recovered during the year	(15)	(211)
Decrease in allowance recognised in profit or loss	(69)	(453)
Carrying amount at 30 June	3,901	1,334

Bad and doubtful debts

The Department has recognised a bad and doubtful debts expense of \$2.664 million (\$0.099 million) in the Statement of Comprehensive Income.

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days or from when goods or services have been provided under a contractual agreement. Receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that debtors will fail to discharge their obligations. The carrying amount of receivables approximates their fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Categorisation and maturity analysis of financial instruments - refer Note 41.

(b) Ageing analysis of financial assets - refer Note 41.

(c) Risk exposure information – refer Note 41.

Department of Planning, Transport and Infrastructure
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Note 26: Inventories

	2016 \$'000	2015 \$'000
Current - held for distribution at no or nominal consideration		
Road making material and stores at cost	4,578	4,975
Rail material and stores at cost	5,901	7,051
Total inventories held for distribution at no or nominal consideration	10,479	12,026
 Current - other than those held for distribution at no or nominal consideration:		
Metrotickets at cost	470	741
Total inventories other than those held for distribution at no or nominal consideration	470	741
Total Current Inventories	10,949	12,767

Note 27: Other Assets

	2016 \$'000	2015 \$'000
Current:		
Prepayments	38,390	21,384
Lease Incentives	7,007	4,713
Forward Exchange Contracts	155	-
Total Current Other Assets	45,552	26,097
 Non-Current Assets:		
Lease Incentives	44,192	21,067
Prepayments	52	653
Total Non-Current Other Assets	44,244	21,720
Total Other Assets	89,796	47,817

Department of Planning, Transport and Infrastructure
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Note 28: Non-Current Assets Classified as Held for Sale

	2016 \$'000	2015 \$'000
Non-Current Assets Classified as Held for Sale:		
Land, buildings and facilities	140,157	142,298
Total Non-Current Assets Classified as Held for Sale	140,157	142,298

The Department has identified \$140.157 million (\$142.298 million) of land, buildings and facilities that are surplus to the Department's requirements. The land, buildings and facilities are expected to be sold within 12 months by public tender or auction.

Valuation of Non-Current Assets Classified as Held for Sale

Non-current assets classified as held for sale generally consist of land and buildings that have been declared surplus to the needs of the Department for which a plan of sale has been determined, the sale is highly probable and is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The assets in this category are re-valued upon reclassification in line with the valuation techniques outlined in notes 29 to 31. They are presented separately from the other assets in the Statement of Financial Position and are not subject to depreciation.

Department of Planning, Transport and Infrastructure
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Note 29: Land, Buildings and Facilities

	2016 \$'000	2015 \$'000
Land:		
Land at fair value	942,165	1,212,331
Total Land	942,165	1,212,331
Land Under Roads:		
Land under roads at cost	20,547	20,576
Total Land Under Roads	20,547	20,576
Land for Current Projects:		
Land for current projects at cost *	178,165	120,157
Total Land for Current Projects	178,165	120,157
Buildings and Facilities:		
Buildings and facilities at fair value	1,966,199	2,012,294
Accumulated depreciation at 30 June	541,921	485,744
Total Buildings and Facilities	1,424,278	1,526,550
Land, Buildings and Improvements Under Lease:		
Buildings and improvements under lease at fair value	32,242	31,849
Land under lease at fair value	4,250	4,250
Accumulated amortisation at 30 June	769	-
Total Land, Buildings and Improvements Under Lease	35,723	36,099
Total Land, Buildings and Facilities	2,600,878	2,915,713

* This includes land transferred from other land categories deemed at cost. Land for Current Projects is not revalued.

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RECONCILIATION OF LAND, BUILDINGS AND FACILITIES

The following table shows the movement of Land, Buildings and Facilities during 2015-16

	Land \$'000	Land Under Roads \$'000	Current Projects \$'000	Land for Projects \$'000	Buildings & Facilities \$'000	Land, Buildings & Improvements Under Lease \$'000	Total \$'000
Carrying amount at 1 July	1,212,029	20,451	120,157	120,157	1,524,111	36,099	2,912,847
Prior period - error correction - 2013-14	303	125	-	-	2,724	-	3,152
Prior period - error correction - 2014-15	-	-	-	-	(286)	-	(286)
Adjusted opening balance	1,212,332	20,576	120,157	120,157	1,526,549	36,099	2,915,713
Reclassification to/from assets held for sale	595	-	-	-	(2,518)	-	(1,923)
Additions	357	-	58,105	58,105	33,541	-	92,003
Transfer from works in progress	-	-	-	-	8,644	392	9,036
Disposals	(17,171)	-	-	-	(41)	-	(17,212)
Donated assets	(3)	-	-	-	-	-	(3)
Resources received free of charge	855	-	-	-	732	-	1,587
Revaluation decrement	(254,923)	-	-	-	(49,709)	-	(304,632)
Depreciation and amortisation	-	-	-	-	(49,928)	(769)	(50,697)
Transfers due to reclassification of assets	125	(29)	(96)	(96)	(42,899)	-	(42,899)
Other movements	(2)	-	(1)	(1)	(93)	1	(95)
Carrying amount at 30 June	942,165	20,547	178,165	178,165	1,424,278	35,723	2,600,878

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Valuation of Land, Buildings and Facilities

For non specialised land, buildings and facilities the valuers arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land, buildings and facilities in the area and includes adjustment for factors specific to the land, buildings and facilities being valued, such as size and location.

Specialised land in the rail corridor was revalued in 2015-16. The land comprises of individual parcels along the rail corridor. The value of the land was discounted to account for the restriction in its use as a rail corridor.

For specialised buildings and facilities the valuers used depreciated replacement cost due to there not being an active market for such buildings and facilities. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs. The metro rail station asset revaluation source data was from recent rail revitalisation projects done by the Department.

Timing of Land, Buildings and Facilities Revaluations

The following table shows when and by whom land, buildings and facilities were revalued:

Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
Land						
Land	Government Employee Housing	30 June 2015	Valuer-General	1	2	Market
	Government Agency Accommodation	30 June 2015	Opteon Property Group / Valuer-General	3	2	Market
	Ex Australian National Railways Land	1 July 2015	Valuer-General	3	2	Market
	Metro Rail Stations, Yards and Corridors **	1 July 2015	Valuer-General	3 - 5	2	Market
	Marine Land	1 July 2014	Valuer-General	3	2	Market
	Bus Depot Land	1 July 2014	Maloney Field Services	3	2	Market
	Future Road Construction *	1 July 2014	Valuer-General	3	2	Market

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
	Recreation and Sport Land	1 July 2015	Opteon Property Group/ M3property Strategist/ Australian Valuation Solution/ Valuer- General	3	2	Market
Land Under Roads	Other Departmental Land (Bus Interchanges)	1 July 2014	Valuer-General	3	2	Market
	Land Under Roads	NA	Not applicable	NA	NA	NA
Land for Current Projects	Land for Current Projects	Not required under policy	Not applicable	NA	NA	NA
Buildings and Facilities						
Buildings and Facilities	Marine Related	1 July 2013	Liquid Pacific Holdings Pty Ltd	3	3	Cost
	Metro Rail Stations and Yards**	1 July 2015	Valuer-General/ Janey Mitson B.Eng(Civil)	3 - 5	3	Cost
	Ex Australian National Railways	1 July 2013	Valuer-General	3	3	Cost
	Bus Depots	1 July 2014	Maloney Field Services	3	3	Cost
	Tram Depot **	1 July 2015	Valuer-General/ Janey Mitson B.Eng(Civil)	3 - 5	3	Cost
	Recreation and Sport Infrastructure	1 July 2015	Opteon Property Group/ M3property Strategist/ Australian Valuation Solution/ Valuer- General	3	3	Cost
	Residential Buildings					
	Government Employee Housing	30 June 2015	Valuer-General	1	2	Market
	Future Road Construction	1 July 2013	Valuer-General	3	2	Market

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
	Commercial Buildings					
	Government Agency Accommodation	30 June 2015	Opteon Property Group / Valuer-General	3	2	Market
	Future Road Construction	1 July 2013	Liquid Pacific Holdings Pty Ltd	3	3	Cost
	Depots	1 July 2015	Valuer-General	3	2	Market
Land, Buildings and Improvements Under Lease	Land, Buildings and Improvements Under Lease	30 June 2015	Opteon Property Group / Valuer General	3	2	Market

* During the year some parcels of land categorised as Land for Current Projects were transferred to Land for Future Road Construction

** Public transport assets will be revalued on a 3 year rolling basis.

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Note 30: Plant and Equipment

	2016 \$'000	2015 \$'000
Plant and Equipment:		
Plant and equipment (at fair value)	1,662,821	1,785,671
Information technology (IT)	13,761	20,025
IT under lease	5,088	5,224
	1,681,670	1,810,920
Accumulated Depreciation:		
Accumulated depreciation - Plant and equipment	935,657	1,046,975
Accumulated depreciation - Information technology (IT)	12,533	13,847
Accumulated depreciation - IT under lease	3,535	3,417
	951,725	1,064,239
Total Plant and Equipment	729,945	746,681

RECONCILIATION OF PLANT AND EQUIPMENT

The following table shows the movement of Plant and Equipment during 2015-16

	Plant and Equipment \$'000	Information Technology \$'000	IT Under Lease \$'000	Total \$'000
Carrying amount at 1 July	740,213	6,164	1,807	748,184
Prior period - error correction - 2013-14	(1,506)	14	-	(1,492)
Prior period - error correction - 2014-15	(11)	-	-	(11)
Adjusted opening balance	738,696	6,178	1,807	746,681
Additions	5,497	137	590	6,224
Transfers from works in progress	48,937	207	-	49,144
Disposals	(1,020)	-	-	(1,020)
Donated assets	-	(4)	-	(4)
Resources received free of charge	25	24	-	49
Write offs	(218)	(8)	-	(226)
Revaluation increment	8,191	-	-	8,191
Depreciation and amortisation	(75,842)	(1,399)	(845)	(78,086)
Transfers due to reclassification of assets	2,898	(3,907)	-	(1,009)
Other movements	-	-	1	1
Carrying amount at 30 June	727,164	1,228	1,553	729,945

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Valuation of Plant and Equipment

For non specialised plant and equipment the valuers arrived at fair value using the market approach. The valuation was based on recent market transactions for similar plant and equipment and includes adjustment for factors specific to the plant and equipment being valued, such as size and location.

For specialised plant and equipment, the valuers used depreciated replacement cost due to there not being an active market for such plant and equipment. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs.

Timing of Plant and Equipment Revaluations

The following table shows when and by whom plant and equipment was revalued:

Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
Plant and Equipment	Buses	1 July 2015	Australian Valuation Solutions	3	2 & 3	Market
	Tram and Train Rolling Stock	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Bus Depots	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Rail	1 July 2014	Australian Valuation Solutions	3	3	Cost
	Tall Ships/Patrol Boats *	1 July 2014	Markwell Risk Mgt Services / Peter McDonalds	3	3	Cost
	Ferries (including Modules)	1 July 2013	Graysasset Services	3	2	Market
	Aids to Navigation	1 July 2013	Liquid Pacific Holdings Pty Ltd	3	3	Cost
	Heavy Plant	1 July 2013	Graysasset Services	3	2	Market
	Bus Shelters	1 July 2014	Aon Risk Solutions	3	3	Cost

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input level	Fair Value Approach
	Metro-ticket System	1 July 2015	Aon Risk Solution	3	3	Cost
	Other Plant & Equipment	Not required under Policy	Not applicable	NA	NA	NA
Information Technology (IT)	Information Technology	NA	Not applicable	NA	NA	NA
IT Under Lease	IT Under Lease	NA	Not applicable	NA	NA	NA

* Patrol Boats valuation was done by a suitable, qualified and experienced officer of the Department

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Note 31: Network Assets

	2016 \$'000	2015 \$'000
Network Assets:		
Network assets (deemed fair value)	24,871,538	24,352,599
Rail and bus track (deemed fair value)	2,738,533	2,702,311
	27,610,071	27,054,910
Accumulated Depreciation:		
Accumulated depreciation - Network	6,610,636	6,371,213
Accumulated depreciation - Rail and bus track	783,737	690,061
	7,394,373	7,061,274
Total Network Assets	20,215,698	19,993,636

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RECONCILIATION OF NETWORK ASSETS

The following table shows the movement of Network Assets during 2015-16

	Roads \$'000	Structures \$'000	Rail and Bus Track \$'000	Total \$'000
Carrying amount at 1 July				
Prior period - error correction - 2013-14	15,769,464	2,210,857	2,074,290	20,054,611
Prior period - error correction - 2014-15	688	415	(60,347)	(59,244)
Adjusted opening balance	15,770,152	2,211,234	(1,693)	(1,731)
Transfers from works in progress	106,396	1,007	1,812	109,215
Donated assets	(1,622)	-	-	(1,622)
Resources Received Free of Charge	-	1,721	61	1,782
Revaluation increment/(decrement)	273,372	112,760	(58,054)	328,078
Other	-	-	1	1
Depreciation and amortisation	(172,274)	(42,148)	(44,878)	(259,300)
Transfers due to reclassification of assets	31,382	(31,078)	43,604	43,908
Carrying amount at 30 June	16,007,406	2,253,496	1,954,796	20,215,698

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Valuation of Road Network Assets

With the exception of earthworks and the pavement sub-base which are not subject to depreciation, all road network assets are valued at written down replacement cost by senior professional engineers with the knowledge and expertise in that particular area and independent recognised industry experts are engaged to provide input with respect to key areas of the revaluation. As these assets have no active market they are measured at written down replacement cost which is considered to be their fair value.

Road network assets are revalued every three years with indexing applied during intervening years to roads and structures. Indexing is applied using the Australian Bureau of Statistics' Road and Bridge Construction Price Index for South Australia as at 1 July.

Approval has been granted by the Treasurer for a variation to the requirements of Accounting Policy Framework III clause 3.17, which requires an independent valuation appraisal be performed at least every 6 years. The variation enables the Department to value its road network assets using an internally developed revaluation methodology, with inputs for the key areas being provided by independent industry experts.

In the model used for valuation, the road network is segmented into sections that have similar engineering and functional characteristics. Each segment is then characterised by a representative stereotype. Replacement unit rates, useful lives and non-depreciating sub-base percentages are calculated for each of these stereotypes and then applied to the surfacing/pavement area of the segments.

Road network assets were revalued in 2015-16 with some improvements around representative stereotypes to include a new category entitled 'Motorways'. This improvement is to allow for more accurate grouping of road to reflect purpose, service capacity and consumption pattern. The pavement sub-base segment was also valued and recognised as a separate component from the pavement base in 2015-16.

Valuation of Rail and Bus Network Assets

For specialised rail and bus network assets, the valuers used depreciated replacement cost due to there not being an active market for such rail and bus network assets. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs.

Timing of Network Asset Revaluations

The following table shows when and by whom network assets were revalued:

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Asset Class	Assets Valued	Last Valued / Revalued	By Whom	Timing of Revaluations (years)	Input Level	Fair Value Approach
Network Assets						
Roads	Road Pavements base, Sub-base, and Surface	1 July 2015	Mick Lorenz, B.Eng (Civil)*	3	3	Cost
	Earthworks	1 July 2015	Mick Lorenz, B.Eng (Civil)*	3	3	Cost
Structures	Bridges / Culverts	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Ferry Landings	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Drainage	1 July 2014	Xylem Water Solution	3	3	Cost
	Weighbridges and Weigh Slabs	1 July 2014	Aquenta Consulting	3	3	Cost
Rail and Bus Track	Busway Interchanges	1 July 2013	Aquenta Consulting	3	3	Cost
	Busway Track and Structures	1 July 2015	Grant Wilksch, B.Eng (Civil)	3	3	Cost
	Metro Rail Structure (includes bridges)	1 July 2015	Valuer-General/ Grant Wilksch, B.Eng (Civil)	3 - 5	3	Cost
	Metro Rail and Tram Lines Track	1 July 2011	Propell National Valuers	3 - 5	3	Cost

* Valuation performed by suitably qualified officers of the Department

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Note 32: Capital Works in Progress

	2016	2015
	\$'000	\$'000
Capital Works in Progress		
Land, buildings and facilities	203,702	39,994
Road network	413,491	231,185
Plant, equipment and intangibles	21,086	33,285
Rail and bus track	84,511	35,288
Total Capital Works in Progress	722,790	339,752

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RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of Capital Works in Progress during 2015-16

	Road Network \$'000	Plant and Equipment/Intangibles \$'000	Land, Buildings & Facilities \$'000	Rail and Bus Track \$'000	Total \$'000
Carrying amount at 1 July	231,333	33,285	39,994	35,288	339,900
Prior period - error correction - 2013-14	(148)	-	-	-	(148)
Adjusted opening balance	231,185	33,285	39,994	35,288	339,752
Additions	290,986	39,597	172,744	51,035	554,362
Transfer to capital	(107,403)	(51,654)	(9,036)	(1,812)	(169,905)
Transfer to operating	(1,279)	(141)	-	-	(1,420)
Other	2	(1)	-	-	1
Carrying amount at 30 June	413,491	21,086	203,702	84,511	722,790

Valuation of Works in Progress

Capital Works in Progress is not revalued and is recorded at historic cost in accordance with AASB 116 *Property, Plant and Equipment*.

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Note 33: Intangible Assets

	2016 \$'000	2015 \$'000
Software:		
Computer software	86,502	84,257
Accumulated amortisation	52,905	46,789
Total Intangible Assets	33,597	37,468

RECONCILIATION OF INTANGIBLE ASSETS

The following table shows the movement of Intangible Assets during 2015-16

	2016 \$'000
Carrying amount at 1 July	37,400
Prior period - error correction - 2014-15	68
Adjusted opening balance	37,468
Additions	29
Transfers from works in progress	2,510
Other	(1)
Write-off of non-current assets	(91)
Amortisation	(6,318)
Carrying amount at 30 June	33,597

Amortisation of Intangibles

Total amortisation associated with intangibles for the year ended 30 June 2016 was \$6.318 million (\$5.601 million). This amount has been reported within the Statement of Comprehensive Income as operating expenditure of the Department.

Valuation of Intangible Assets

Intangible assets are measured at cost and following initial recognition, are carried at cost less any accumulated amortisation. The acquisition or internal development of software is only capitalised when the expenditure meets the definition criteria and can be reliably measured in accordance with AASB 138 *Intangible Assets* and with the guidance provided in APF III *Asset Accounting Framework* and when the amount of expenditure is greater than or equal to \$10 000. Costs associated with the development or implementation of software applications that do not meet the criteria for asset recognition are expensed.

Intangible assets are not revalued and are recorded at historic cost.

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Note 34: Fair Value Measurement

Fair Value Hierarchy

In accordance with AASB 13 *Fair Value Measurement* the fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The Department had no recurring or non-recurring fair value measurements categorised into Level 1.

Fair Value Measurements

	2016	Level 2	Level 3
Recurring Fair Value Measurements	\$'000	\$'000	\$'000
Land (note 29)	942,165	942,165	-
Buildings and facilities (note 29)	1,424,278	209,837	1,214,441
Land, buildings and improvements under lease (note 29)	35,723	35,723	-
Plant and equipment (note 30)	727,164	36,597	690,567
Network assets (note 31)	18,260,902	-	18,260,902
Rail and bus track (note 31)	1,954,796	-	1,954,796
Total Recurring Fair Value Measurements	23,345,028	1,224,322	22,120,706
Non- Recurring Fair Value Measurements			
Land, buildings and facilities held for sale (note 28)	140,157	140,157	-
Total Non-Recurring Fair Value Measurements	140,157	140,157	-
Total	23,485,185	1,364,479	22,120,706
	2015	Level 2	Level 3
Recurring Fair Value Measurements	\$'000	\$'000	\$'000
Land (note 29)	1,212,331	1,212,331	-
Buildings and facilities (note 29)	1,526,550	209,708	1,316,842
Land, buildings and improvements under lease (note 29)	36,099	36,099	-
Plant and equipment (note 30)	738,696	37,195	701,501
Network assets (note 31)	17,981,386	-	17,981,386
Rail and bus track (note 31)	2,012,250	-	2,012,250
Total Recurring Fair Value Measurements	23,507,312	1,495,333	22,011,979
Non- Recurring Fair Value Measurements			
Land, buildings and facilities held for sale (note 28)	142,298	142,298	-
Total Non-Recurring Fair Value Measurements	142,298	142,298	-
Total	23,649,610	1,637,631	22,011,979

Valuation Techniques and Inputs

Valuation techniques used to derive Level 2 and 3 fair values are detailed in Notes 28 - 33. There were no changes in valuation techniques during 2016.

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Reconciliation of Level 3 Fair Value Measurements as at 30 June 2016

	Buildings and Facilities (1)	Plant and Equipment (1)	Network Assets	Rail and Bus Track	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount at 1 July	1,314,404	702,957	17,980,320	2,074,291	22,071,972
Prior Period Error Correction 2013-14	2,724	(1,445)	1,104	(60,348)	(57,965)
Prior Period Error Correction 2014-15	(286)	(11)	(38)	(1,693)	(2,028)
Adjusted opening balance	1,316,842	701,501	17,981,386	2,012,250	22,011,979
Additions	30,856	4,103	-	-	34,959
Transfer from works in progress	5,911	45,173	107,403	1,812	160,299
Disposals (2)	(41)	(251)	-	-	(292)
Donated assets	-	-	(1,622)	-	(1,622)
Resources received free of charge	732	25	1,721	61	2,539
Write offs	-	(218)	(1)	-	(219)
Revaluation increment (decrement) (3)	(52,210)	8,190	386,132	(58,054)	284,058
Depreciation and amortisation	(44,750)	(71,022)	(214,422)	(44,878)	(375,072)
Transfers due to reclassification of assets at same Fair Value level	(42,899)	3,201	-	43,604	3,906
Transfer into Level 3	-	-	304	-	304
Transfer out of Level 3	-	(136)	-	-	(136)
Other Movements	-	1	1	1	3
Carrying amount as at 30 June	1,214,441	690,567	18,260,902	1,954,796	22,120,706

(1) Plant and Equipment & Buildings and Facilities have a combination of Fair Value Level 2 and 3.

(2) Net book value of assets disposed. Total gain/loss for period included in profit or loss disclosed separately.

(3) Revaluation increment (decrement) relates only to unrealised gains or losses recognised through Other Comprehensive Income under changes to the revaluation surplus. No unrealised gains or losses were included in profit or loss.

Total gains/losses for the period included in profit or loss under Net Gain (Loss) from Disposal of Non-Current Assets	(41)	(251)	-	-	(292)
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Department of Planning, Transport and Infrastructure
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Reconciliation of Level 3 Fair Value Measurements as at 30 June 2015

	Buildings and Facilities (1) \$'000	Plant and Equipment (1) \$'000	Network Assets \$'000	Rail and Bus Track \$'000	Total \$'000
Carrying Amount at 1 July	1,300,533	702,697	17,353,257	2,082,795	21,439,282
Prior Period Error Correction 2012-13	18	12	1,428	-	1,458
Prior Period Error Correction 2013-14	1,558	61	(2,351)	(2,719)	(3,451)
Adjusted opening balance	1,302,109	702,770	17,352,334	2,080,076	21,437,289
Additions	7,288	11,803	-	-	19,091
Transfer from works in progress	41,281	156,745	591,985	38,061	828,072
Disposals (2)	(169)	(603)	-	-	(772)
Donated assets	(503)	-	(1,396)	-	(1,899)
Resources received free of charge	-	52	-	-	52
Write offs	-	(3)	-	-	(3)
Revaluation increment (decrement) (3)	8,436	(116,213)	252,978	-	145,201
Depreciation and amortisation	(43,412)	(52,443)	(215,580)	(43,959)	(355,394)
Transfers due to reclassification of assets at same Fair Value level	(815)	(34)	-	34	(815)
Transfer into Level 3	204	884	-	79	1,167
Transfer out of Level 3	(13)	-	-	-	(13)
Other Movements	(2)	(1)	(1)	-	(4)
Carrying amount as at 30 June	1,314,404	702,957	17,980,320	2,074,291	22,071,972
Prior Period Error Correction 2013-14	2,724	(1,445)	1,104	(60,348)	(57,965)
Prior Period Error Correction 2014-15	(286)	(11)	(38)	(1,693)	(2,028)
Adjusted closing balance 30 June	1,316,842	701,501	17,981,386	2,012,250	22,011,979

(1) Plant and Equipment & Buildings and Facilities have a combination of Fair Value Level 2 and 3

(2) Net book value of assets disposed. Total gain/loss for period included in profit or loss disclosed separately.

(3) Revaluation increment (decrement) relates only to unrealised gains or losses recognised through Other Comprehensive Income under changes to the revaluation surplus. No unrealised gains or losses were included in profit or loss.

Total gains/losses for the period included in profit or loss

under Net Gain (Loss) from Disposal of Non-Current Assets

(648)

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Transfers In and Out of Level 3

The Department's policy is to recognise transfers in and out of fair value hierarchy levels as at the beginning to the reporting period. Asset transfers in and out of Level 3 are transactional transfers due to changes in the classification of assets.

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Note 35: Payables

	2016 \$'000	2015 \$'000
Current:		
Creditors	17,396	15,037
Accrued expenses	166,261	100,783
Rail Commissioner (Federally Awarded Employees)	10,707	12,476
Employment on-costs	4,517	4,044
Lease incentives	30,964	1,745
Other	67	14
Total Current Payables	229,912	134,099
Non-Current:		
Employment on-costs	6,220	5,940
Rail Commissioner (Federally Awarded Employees)	18,909	17,334
Total Non-Current Payables	25,129	23,274
Total Payables	255,041	157,373

Interest Rate and Credit Risk

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

Employment On-costs

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from the 2015 rate (37%) to (40%) and the average factor for the calculation of employer superannuation cost on-cost has also changed from the 2015 rate (10.3%) to 10.2%. These rates are used in the employment on-cost calculation.

The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$178,000. The estimated impact on 2017 and 2018 is not expected to be materially different to the impact in 2016.

- (a) Categorisation of financial instruments and maturity analysis of payables - refer Note 41.
(b) Risk exposure information - refer Note 41.

Department of Planning, Transport and Infrastructure
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Note 36: Borrowings

	2016 \$'000	2015 \$'000
Current:		
Borrowings (1)		
Balance as at 1 July	521	483
Transfers	563	38
Repayments	(521)	-
Balance as at 30 June	563	521
Obligations under finance leases (2)		
Balance as at 1 July	1,732	1,729
Net decrease in lease liabilities due to:		
New leases	207	322
Transfers	633	1,518
Repayments	(860)	(1,837)
Other	(2)	-
Balance as at 30 June	1,710	1,732
Total Current Borrowings	2,273	2,253
Non-Current		
Borrowings (1)		
Balance as at 1 July	803	1,324
Transfers	(563)	(75)
Repayments	-	(446)
Balance as at 30 June	240	803
Obligations under finance leases (2)		
Balance as at 1 July	13,718	14,659
Net decrease in lease liabilities due to:		
New leases	382	577
Transfers	(633)	(1,518)
Repayments	(934)	-
Balance as at 30 June	12,533	13,718
Total Non-Current Borrowings	12,773	14,521
Total Borrowings	15,046	16,774

(1) These borrowings represent loans relating to the Office for Recreation and Sport. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

(2) Secured by the asset leased.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Department of Planning, Transport and Infrastructure
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Assets Pledged as Security		2016	2015
		\$'000	\$'000
The carrying amount of non-current assets pledged as security are:			
	Note		
Leased land and buildings:			
Buildings and improvements under lease	29	35,723	36,099
Leased plant and equipment:			
Computer and office equipment	30	1,553	1,807
Total Assets Pledged as Security		37,276	37,906

- (a) **Categorisation of financial instruments and maturity analysis of borrowings** - refer Note 41.
(b) **Risk exposure information** - refer Note 41.
(c) **Defaults and breaches** - there were no defaults or breaches on any of the above liabilities throughout the year.

Department of Planning, Transport and Infrastructure
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Note 37: Employee Benefits

	2016	2015
	\$'000	\$'000
Current:		
Annual leave	19,869	20,128
Long service leave	6,624	6,637
Skills and Experience Retention Leave	1,824	1,808
Accrued salaries and wages	2,859	9,208
Total Current Employee Benefits	31,176	37,781
Non-Current:		
Long service leave	67,379	66,376
Total Non-Current Employee Benefits	67,379	66,376
Total Employee Benefits	98,555	104,157

The total current and non-current employee liability (i.e. aggregate employee benefit plus related on-costs) for 2016 is \$35.693 million (\$41.930 million) and \$73.959 million (\$72.316 million) respectively.

Annual Leave

Annual leave is classified as a current liability as employees are expected to take all annual leave within the year of entitlement.

Long Service Leave

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 3.0% (2015) to 2.0% (2016).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$4.347 million and employee benefit expense of \$0.401 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result there is no financial effect resulting from changes in the salary inflation rate.

Department of Planning, Transport and Infrastructure
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Note 38: Provisions

	2016 \$'000	2015 \$'000
Current:		
Provision for workers compensation	2,555	1,762
Site remediation	6,891	7,840
Provision for third party claims (Non-SA Government)	-	56
Total Current Provisions	9,446	9,658
Non-Current:		
Site remediation	9,139	8,098
Provision for workers compensation	6,469	5,532
Total Non-Current Provisions	15,608	13,630
Total Provisions	25,054	23,288

Reconciliation of Workers Compensation

The following table shows the movement of the workers compensation provision:

Carrying amount as at 1 July	7,294	7,843
Increase in provision due to revision of estimates	5,068	2,269
Reductions resulting from payments	(3,338)	(2,818)
Carrying Amount at 30 June	9,024	7,294

Reconciliation of Site Remediation

The following table shows the movement of the site remediation provision:

Carrying amount as at 1 July	15,938	15,803
Increase in provision due to revision of estimates	143	259
Reductions resulting from payments	(51)	(124)
Carrying Amount at 30 June	16,030	15,938

Reconciliation of Other Provisions

The following table shows the movement of other provisions:

Carrying amount as at 1 July	56	-
Increase in provision due to revision of estimates	-	56
Reductions resulting from payments	(56)	-
Carrying Amount at 30 June	-	56

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Note 39: Other Liabilities

	2016 \$'000	2015 \$'000
Current:		
Deferred income	15,064	22,701
Lease Incentives	8,090	5,927
Forward Exchange Contracts	85	33
Other	116	332
Total Current Other Liabilities	23,355	28,993
Non-Current:		
Lease Incentives	47,919	25,821
Forward Exchange Contracts	119	301
Other	-	23
Total Non-Current Other Liabilities	48,038	26,145
Total Other Liabilities	71,393	55,138

Commonwealth funding received for specific projects (formerly AusLink Advance Account for Specific Projects Fund) includes Commonwealth Grants received in relation to the Accelerated Sturt Highway Package and the AusLink Strategic Regional Roads Programme. On 30 June 2006, the Department received a conditional, interest bearing, Commonwealth grant of \$100 million, which has been disclosed as deferred income in accordance with APF V and APS 4.12. As at reporting date, the remaining balance is \$0.472 million (\$0.477 million).

Department of Planning, Transport and Infrastructure
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Note 40: Prior Period Adjustments - Adjustments to Equity

	2016 \$'000	2015 \$'000
Restatement of Opening Balances		
Adjustments against Retained Earnings:		
Work in progress adjustment - error correction	(148)	(3,350)
Asset recognition - error correction	(59,544)	(10,046)
Other adjustments - error correction	33,777	(1,656)
Total Adjustments against Retained Earnings	(25,915)	(15,052)
Adjustments against Asset Revaluation Surplus:		
Asset revaluation - error correction	(34,145)	2,230
Total Adjustments against Asset Revaluation Surplus	(34,145)	2,230
Total Adjustments to Equity	(60,060)	(12,822)

The table above represents total adjustments to equity identified in each year. Adjustments totalling \$60.060 million (\$12.822 million) were identified in the year ended 30 June 2016 which affect the year ended 30 June 2015 and prior years.

RESTATEMENT OF OPENING BALANCES

Adjustments against Retained Earnings

Work in progress adjustment – error correction

A review of completed projects by the Department in the year ended 30 June 2016 identified costs of \$0.148 million which were recognised within the capital works in progress asset balance at 30 June 2015 which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital works in progress instead of as expenses in the year ended 30 June 2015 or a prior period is an error which was corrected in the current year by an adjustment to retained earnings. The impact on the financial statements for 2014-15 is summarised below:

	2015 \$'000	2014 \$'000	Total
Work in progress adjustment - error correction			\$'000
Road network - work in progress	-	(148)	(148)
Total work in progress adjustment	-	(148)	(148)

Department of Planning, Transport and Infrastructure
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Asset Recognition – error correction

Asset reconciliation and stock take procedures in 2015-16 identified assets totalling \$59.544 million which were not recognised or incorrectly recognised in prior years. This value is summarised below by asset class:

	2015 \$'000	2014 \$'000	Total \$'000
Asset recognition - error correction			
Network Assets	(1,731)	(59,244)	(60,975)
Land, buildings and facilities	(286)	3,152	2,866
Plant and equipment	(11)	(1,492)	(1,503)
Intangible assets	68	-	68
Total asset recognition - error correction	(1,960)	(57,584)	(59,544)

Other Adjustments – error correction

	2015 \$'000	2014 \$'000	Total \$'000
Other adjustments - error correction			
Receivables	13	-	13
Payables	(43)	-	(43)
Provisions	-	(101)	(101)
Employee benefits	97	-	97
Transfer between equity components	-	34,145	34,145
Other	(137)	(197)	(334)
Total other adjustments error correction	(70)	33,847	33,777

Adjustments against Asset Revaluation Surplus

Asset Revaluation – error correction

An adjustment was made to the revaluation surplus account in 2015-16 of \$34.145 million. The adjustment is mainly attributed to the transfer of asset revaluation surplus to retained earnings on disposal of land recognised in prior years.

	2015 \$'000	2014 \$'000	Total \$'000
Asset revaluation - error correction			
Land, buildings and facilities	-	(34,145)	(34,145)
Total asset recognition - error correction	-	(34,145)	(34,145)

Note 41: Financial Instruments

41.1 – Financial risk management

The Department has developed a Risk Management policy and associated Framework in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*. This policy and framework set out the tailored approach to identify and manage risk within the Department.

The Department is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting date.

41.2 - 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 3.

Refer Note 41.3 for the carrying amounts of each category of financial assets and liabilities. The Department does not recognise any financial assets or financial liabilities at fair value.

The carrying amount of cash and cash equivalents represents fair value. Cash is available at call and is recorded at cost.

The carrying amount less impairment provisions of receivables and payables is a reasonable approximation of fair value due to the short term nature of these.

Finance leases are recorded at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments using a government borrowing rate. Lease payments are made in accordance with the schedules determined at the inception of each lease.

Borrowings (excluding finance leases) are recognised at cost. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

41.3 – Liquidity risk

Liquidity risk arises from the possibility that the Department is unable to meet its financial obligations as they fall due. The Department works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

In relation to this risk, the Department's exposure is considered to be minimal based on past experience and current assessment of risk. The carrying amount recorded in note 41.3 represent the Department's maximum exposure.

The following table discloses the carrying amount of each category of financial instrument held by the Department including the contractual maturity analysis for financial assets and liabilities (i.e. liquidity risk). Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

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Table 41.3 – Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability			Notes	Carrying amount \$'000	Contractual Maturities		
					Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
2016							
Financial assets							
Cash and cash equivalents:	Cash and cash equivalent	24	2,125,602	2,125,602	-	-	
Loans and receivables:	Receivables ⁽¹⁾	25	131,398	129,270	88	2,040	
	Finance lease receivable	25,43	6,798	856	3,030	2,912	
Total financial assets			2,263,798	2,255,728	3,118	4,952	
Financial Liabilities							
Financial liabilities at cost:	Payables ⁽¹⁾	35	213,340	194,431	18,909	-	
	Borrowings	36	803	563	240	-	
	Finance lease payable	36,43	18,590	2,519	7,633	8,438	
Total financial liabilities			232,733	197,513	26,782	8,438	
2015							
Financial assets							
Cash and cash equivalents:	Cash and cash equivalent	24	1,423,773	1,423,773	-	-	
Loans and receivables:	Receivables ⁽¹⁾	25	132,975	128,523	2,412	2,040	
	Finance lease receivable	25,43	7,685	865	3,186	3,634	
Total financial assets			1,564,433	1,553,161	5,598	5,674	
Financial Liabilities							
Financial liabilities at cost:	Payables ⁽¹⁾	35	145,592	128,258	17,334	-	
	Borrowings	36	1,324	521	803	-	
	Finance lease payable	36,43	20,617	2,629	7,863	10,125	
Total financial liabilities			167,533	131,408	26,000	10,125	

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables

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41.4 Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in a financial loss to the Department. The Department has minimal concentration of credit risk. The Department has credit management policies and procedures in place to ensure business transactions continue to occur with customers with appropriate credit history. Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables there is no evidence to indicate that financial assets are impaired. The carrying amount of financial assets as detailed in note 41.3 represents the Department's maximum exposure to credit risk.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

Table 41.4 – Ageing analysis of financial assets

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
2016						
Cash and cash equivalent	2,125,602	2,125,602	-	-	-	-
Receivables ⁽¹⁾	131,398	118,363	3,844	1,228	4,062	3,901
Finance lease receivables	6,798	6,798	-	-	-	-
Total Financial Assets	2,263,798	2,250,763	3,844	1,228	4,062	3,901
2015						
Cash and cash equivalent	1,423,773	1,423,773	-	-	-	-
Receivables ⁽¹⁾	132,975	112,467	6,300	3,204	9,671	1,333
Finance lease receivables	7,685	7,685	-	-	-	-
Total Financial Assets	1,564,433	1,543,925	6,300	3,204	9,671	1,333

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivable and payables

41.5 Market risk

Market risk for the Department is primarily through interest rate risk. The Department's exposure to interest rate risk is measured with reference to the level interest and non-interest bearing assets and liabilities held at reporting date.

Interest revenue from interest bearing assets is calculated using the Common Public Sector Interest Rate (CPSIR) and/or other rates as determined by the Treasurer.

The interest expense implicit in any finance lease payment is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest and loan repayment commitments.

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Foreign Currency Risk

The Department enters into business transactions that require the payment of goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of forward cover contract through SAFA articulated in TI 23 *Management of Foreign Currency Exposures*.

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 impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

Note 42: Transferred Functions

No controlled functions transferred to and from the Department during the year.

Note 43: Unrecognised Contractual Commitments

Capital Commitments	2016	2015
	\$'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	920,951	379,048
Later than one year but no later than five years	815,976	323,466
Total Capital Commitments	1,736,927	702,514

The Department's capital commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, the purchase of new public transport vehicles and the construction and upgrade of Government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

Other Commitments	2016	2015
	\$'000	\$'000
Within one year	298,739	261,572
Later than one year but no later than five years	519,133	737,024
Later than five years	23,707	20,993
Total Other Commitments	841,579	1,019,589

The Department's other commitments include major service and supply contracts for road maintenance, ferry operations and bus and rail transport services.

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Operating Lease Commitments as Lessee	2016	2015
	\$'000	\$'000
Commitments under operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	163,606	155,369
Later than one year but no later than five years	426,899	405,494
Later than five years	219,317	204,447
Total Operating Lease Commitments as Lessee	809,822	765,310

Representing:

Cancellable operating leases	12,656	12,032
Non-cancellable operating leases	797,166	753,278
Total Operating Lease Commitments as Lessee	809,822	765,310

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

Within one year	156,888	148,466
Later than one year but no later than five years	421,182	400,532
Later than five years	219,096	204,280
Total Non-cancellable Operating Lease Commitments as Lessee	797,166	753,278

The Department's operating lease commitments as lessee are for land, motor vehicles, office equipment, other plant and equipment and commercial and residential accommodation.

Commercial accommodation leases are non-cancellable with terms ranging from 1 to 20 years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for 1 year (or 60 000 kms whichever comes first) or 5 years (or 100 000 kms whichever comes first).

Operating Lease Commitments as Sub-lessor	2016	2015
	\$'000	\$'000
Commitments under operating subleases at the reporting date but not recognised as receivable in the financial report, are as follows:		
Within one year	140,188	131,468
Later than one year but no later than five years	370,401	337,922
Later than five years	208,652	170,814
Total Operating Lease Commitments as Sub-lessor	719,241	640,204

The Department leases a number of properties from private landlords and sub-lets these properties to various tenants. The Department is therefore a sub-lessor of these properties.

Operating Lease Commitments as Lessor	2016	2015
	\$'000	\$'000
Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows:		
Within one year	22,717	24,140
Later than one year but no later than five years	15,712	24,094
Later than five years	3,186	6,134
Total Operating Lease Commitments as Lessor	41,615	54,368

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The Department's operating lease commitments as lessor are for commercial and residential properties and access rights to State owned land sites. Commercial accommodation leases are non-cancellable with terms ranging from 1 to 20 years. Rental is receivable in advance.

Leases as lessor from the Office for Recreation and Sport are non-cancellable leases of sporting venues and office accommodation leased to various sporting organisations. The leases have terms ranging from 1 to 20 years with some having a right of renewal.

Finance Lease Commitments as Lessee	2016	2015
	\$'000	\$'000
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:		
Within one year	2,518	2,629
Later than one year but no longer than five years	7,633	7,863
Later than five years	8,438	10,125
Minimum lease payments	18,589	20,617
Future finance lease charges	(4,346)	(5,167)
Total Finance Lease Commitments as Lessee (Recognised as a Liability)	14,243	15,450
The present value of finance lease payable is as follows:		
Within one year	1,710	1,732
Later than one year but no longer than five years	5,331	5,294
Later than five years	7,202	8,424
Present Value of Finance Lease	14,243	15,450
Representing:		
Current	1,710	1,732
Non-current	12,533	13,718
Total included in Borrowings	14,243	15,450

The Department's finance leases as lessee relate to government accommodation and computer hardware and software.

The Department's computer and network printer equipment leases are non-cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 9.64% (10.54%).

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years due to expire 2027. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rent is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. This contingent rental expense was \$2.45 million in the year ended 30 June 2016 (\$2.40 million).

The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease in the year ended 30 June 2016 is 5.52% (5.52%).

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Finance Lease Commitments as Lessor	2016	2015
	\$'000	\$'000
Finance lease receivables contracted for at the reporting date are as follows:		
Within one year	857	865
Later than one year but no longer than five years	3,031	3,186
Later than five years	2,912	3,634
Minimum lease payments	6,800	7,685
Unearned finance income	(478)	(715)
Total Finance Lease Commitments as Lessor (Recognised as an Asset)	6,322	6,970

The present value of finance lease receivable is as follows:

Within one year	763	737
Later than one year but no longer than five years	2,769	2,810
Later than five years	2,790	3,423
Present Value of Finance Lease	6,322	6,970

Representing:

Current	763	737
Non-current	5,559	6,233
Total included in Receivables	6,322	6,970

The Department's finance leases as lessor represents recreational jetties and residential properties (ie government employee housing). As the finance leases for recreational jetties provide no material revenues, amounts associated with these leases have not been recognised (refer note 3.15).

Residential property finance leases where the Department is the lessor are non-cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the lessee. Rent is paid one month in advance and there are no contingent rental provisions. The interest rate for the June 2016 quarter implicit in the lease is 1.58 percent (1.94 percent).

Note 44: Contingent Assets and Liabilities

Contingent Assets

At 30 June 2016, the Department:

- may be awarded the reimbursements of costs for some legal cases which are still subject to litigation
- holds contract securities which are designed to cover the risk to the Department in the event of contractor non-performance or insolvency. In the event of contractor non-performance or insolvency, the Department can call upon the contract security to cover any resulting costs incurred
- had a possible entitlement to funds relating to a third party incident involving marine equipment.

Contingent Liabilities

At 30 June 2016, the Department had:

- possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury
- received notification of other cases not yet subject to court action or formal claim, which may result in subsequent litigation or arbitration in the future
- possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale
- a number of in principle agreements with various property owners to purchase their property. If the property owners purchase a replacement investment property within 12 months with the same ownership, the Department is obligated to pay additional compensation
- a possible obligation relating to a third party incident involving marine equipment.

In addition, the Department is awaiting the outcome of formal and informal proceedings which may result in possible material liabilities.

The Department believes that the extent of these contingent liabilities cannot be reliably measured at balance date.

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Note 45: Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of Cash and Cash Equivalents - Cash at 30 June as per:		
Statement of Cash Flows	2,125,602	1,423,773
Statement of Financial Position	2,125,602	1,423,773
Reconciliation of Net Cash provided by (used in) operating activities to net revenue (cost of) / from providing services:		
Net cash provided by operating activities	1,057,140	1,226,932
Revenues from SA Government	(875,088)	(1,222,135)
Payments to SA Government	5,600	79,977
Add (less): Non-Cash Items:		
Net gain (loss) on sale or disposal of non-current assets	1,691	4,158
Depreciation/amortisation expense of non-current assets	(394,401)	(376,138)
Assets written off	(1,355)	(850)
Assets donated	(1,629)	(2,573)
Resources received free of charge	3,418	7,067
Expensing of works in progress	(1,420)	-
Movements in Assets and Liabilities:		
Increase (Decrease) in receivables	31,833	(56,084)
Increase (Decrease) in inventories	(1,818)	(201)
Increase (Decrease) in other assets	25,575	(2,210)
(Increase) Decrease in payables and provisions	(103,679)	888
(Increase) Decrease in employee benefits	5,602	(1,698)
(Increase) Decrease in other liabilities	(16,255)	9,353
Net Revenue (Cost of) / from Providing Services	(264,786)	(333,514)

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Note 46: Transactions with SA Government

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

Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	EXPENSES						
6	Employee benefits expenses						
7	Supplies and services	9,764	11,357	220,279	234,297	230,043	245,654
	Bus service contracts	-	-	195,434	195,153	195,434	195,153
	Rail Commissioner salary reimbursements	56,776	55,268	-	-	56,776	55,268
	Major infrastructure maintenance contracts	-	-	55,749	52,124	55,749	52,124
	Other service contracts	3,914	3,258	82,283	80,930	86,197	84,188
	Consultants	-	-	207	354	207	354
	Operating leases	8,364	6,828	158,164	149,116	166,528	155,944
	Property expenses	336	456	114,051	109,425	114,387	109,881
	Plant, equipment and vehicle expenses	5,880	5,633	6,280	5,046	12,160	10,679
	Information technology	53	1,910	8,518	5,878	8,571	7,788
	Materials and other purchases	-	-	23,137	25,523	23,137	25,523
	Utilities	7,582	6,647	23,714	25,968	31,296	32,615
	Insurance	4,879	5,341	1,420	264	6,299	5,605
	Legal services	1,938	2,055	-	-	1,938	2,055
	Commissions - transaction processing	-	-	2,511	2,522	2,511	2,522
	Auditor's remuneration	1,063	1,081	-	-	1,063	1,081
	Administrative costs	-	-	6,792	6,966	6,792	6,966
	Payment to Service SA - registration and licensing collection	32,934	31,633	-	-	32,934	31,633
	Other	16,273	16,712	7,455	16,574	23,728	33,286
8	Depreciation and amortisation expense	-	-	394,401	376,138	394,401	376,138

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Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
9	Grants and subsidies						
	Recurrent Grants						
	Contribution for policing services	39,481	38,519	-	-	39,481	38,519
	Transport Subsidy Scheme	-	-	10,059	10,164	10,059	10,164
	Grants to local councils	-	-	11,260	5,533	11,260	5,533
	Transport concessions	-	-	4,425	4,355	4,425	4,355
	Grants by Office for Recreation and Sport	-	-	37,680	21,491	37,680	21,491
	Other	1,200	854	5,077	4,029	6,277	4,883
10	Borrowing costs	859	1,117	80	-	939	1,117
11	Other Expenses						
	Rates, taxes and levies	6,374	5,552	3,054	2,894	9,428	8,446
	Donated assets	1,629	1,395	-	1,178	1,629	2,573
	Bad and doubtful debts expense	-	-	2,664	99	2,664	99
	Write-off of an asset	-	-	1,355	850	1,355	850
	Indentured Ports *	11,424	13,036	-	-	11,424	13,036
	Site remediation	-	-	143	259	143	259
	Payment to National Heavy Vehicle Regulator – State Contribution	-	-	13,648	13,648	13,648	13,648
	Other	38	-	277	421	315	421
23	Payments to SA Government	5,600	79,977	-	-	5,600	79,977
	TOTAL EXPENSES	216,361	288,629	1,390,117	1,351,199	1,606,478	1,639,828

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Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	INCOME						
13	Fees and charges						
	Drivers licence fees	-	-	48,721	46,393	48,721	46,393
	Metro tickets	-	-	90,456	88,012	90,456	88,012
	Motor registrations	2,790	2,809	410,707	399,737	413,497	402,546
	Marine related fees and charges	-	-	23,190	24,085	23,190	24,085
	Land services fees	8,971	8,803	6,426	6,215	15,397	15,018
	Other fees and charges	739	265	22,150	22,141	22,889	22,406
14	Commonwealth revenues						
	Commonwealth grants received via DTF	234,429	130,243	-	-	234,429	130,243
	National Land Transport Act 2014	-	-	8,854	2,893	8,854	2,893
	Other Commonwealth revenues	-	-	464	404	464	404
15	Sale of goods and services						
	Maintenance services	97,868	95,224	6,541	6,446	104,409	101,670
	Other sale of goods	31	28	173	5,322	204	5,350
	Other sale of services	15,783	13,217	22,095	22,462	37,878	35,679
16	Rental Income						
	Government accommodation	195,813	194,512	9,789	9,730	205,602	204,242
	Property rents and recoveries	6	-	3,497	3,952	3,503	3,952
	Other lease income	180	318	5,637	5,382	5,817	5,700
17	Grants and subsidies income						
	Concessional passenger income	57,283	60,482	-	-	57,283	60,482
	Grants received by Office for Recreation and Sport	-	-	451	577	451	577
	Other	-	-	250	183	250	183
18	Interest	2,134	2,203	-	131	2,134	2,334
19	Commissions received	35	37	-	-	35	37
20	Net gain from disposal of non-current assets	18	-	1,673	4,158	1,691	4,158

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Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
21	Resources received free of charge						
	Land, buildings and facilities	711	6,414	2,597	601	3,308	7,015
	Plant and equipment	-	-	110	52	110	52
22	Other income						
	Recoveries and contributions	1,215	1,171	23,506	22,534	24,721	23,705
	Reimbursement works and external project contributions	1,540	1,066	11,451	14,891	12,991	15,957
	Intra government transfers	17,492	23,149	-	-	17,492	23,149
	Sundry income	284	-	32	95	316	95
23	Revenues from SA Government	875,088	1,222,135	-	-	875,088	1,222,135
	TOTAL INCOME	1,512,410	1,762,076	698,770	686,396	2,211,180	2,448,472

FINANCIAL ASSETS							
24	Cash and cash equivalents	2,125,602	1,423,773	-	-	2,125,602	1,423,773
25	Receivables						
	Receivables	58,168	66,362	17,639	23,747	75,807	90,109
	Allowance for doubtful debts	(93)	(93)	(3,808)	(1,241)	(3,901)	(1,334)
	Finance lease receivables	5,470	6,118	852	852	6,322	6,970
	GST input tax recoverable	-	-	10,241	5,196	10,241	5,196
	Accrued revenues	39,814	37,811	15,250	4,147	55,064	41,958
	Lease incentives	-	-	29,737	865	29,737	865
	Loan receivables	-	151	4,428	2,104	4,428	2,255
27	Other Assets						
	Prepayments	506	369	37,936	21,668	38,442	22,037
	Lease Incentives	51,199	25,780	-	-	51,199	25,780
	Forward Exchange Contracts	155	-	-	-	155	-
	TOTAL FINANCIAL ASSETS	2,280,821	1,560,271	112,275	57,338	2,393,096	1,617,609

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Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	FINANCIAL LIABILITIES						
35	Payables						
	Creditors	6,444	5,373	10,952	9,664	17,396	15,037
	Accrued expenses	5,270	9,904	160,991	90,879	166,261	100,783
	Rail Commissioner (Federally Awarded Employees)	29,616	29,810	-	-	29,616	29,810
	Employment on-costs	10,737	9,984	-	-	10,737	9,984
	Lease incentives	30,964	1,745	-	-	30,964	1,745
	Other	-	-	67	14	67	14
36	Borrowings						
	Borrowings	-	-	803	1,324	803	1,324
	Obligations under finance leases	12,706	14,700	1,537	750	14,243	15,450
39	Other liabilities						
	Deferred income	1,713	10,054	13,351	12,647	15,064	22,701
	Lease Incentives	-	-	56,009	31,748	56,009	31,748
	Forward Exchange Contracts	204	334	-	-	204	334
	Other	4	10	112	345	116	355
	TOTAL FINANCIAL LIABILITIES	97,658	81,914	243,822	147,371	341,480	229,285

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Note 47: Budgetary reporting and explanations of major variances between budget and actual amounts

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

		Original Budget (1) 2016 \$'000	Actual 2016 \$'000	Variance \$'000
STATEMENT OF COMPREHENSIVE INCOME				
EXPENSES				
Employee benefit expenses		249,050	230,043	(19,007)
Supplies and services		794,847	825,707	30,860
Depreciation and amortisation expense		393,412	394,401	989
Grants and subsidies		106,863	109,182	2,319
Borrowing costs		3,823	939	(2,884)
Other expenses		24,618	40,606	15,988
Total Expenses		1,572,613	1,600,878	28,265
INCOME				
Fees and charges		590,062	614,150	24,088
Commonwealth revenues	a	372,895	243,747	(129,148)
Sale of goods and services		167,668	142,491	(25,177)
Rental income		207,721	214,922	7,201
Grants and subsidies		63,997	57,984	(6,013)
Interest		3,944	2,134	(1,810)
Commissions received		-	35	35
Net gain from the disposal of non-current assets		300	1,691	1,391
Resources received free of charge		-	3,418	3,418
Other income		98,356	55,520	(42,836)
Total Income		1,504,943	1,336,092	(168,851)
NET REVENUE FROM / (COST OF) PROVIDING SERVICES		(67,670)	(264,786)	(197,116)
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:				
Revenues from SA Government	b	262,223	875,088	612,865
Payments to SA Government		(6,245)	(5,600)	645
Net Revenues from (payments to) SA Government		255,978	869,488	613,510
Net Result		188,308	604,702	416,394
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to net result</i>				
Changes in property, network assets and plant and equipment asset revaluation surplus		40,761	31,637	(9,124)
TOTAL COMPREHENSIVE RESULT		229,069	636,339	407,270

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

- (1) The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2015-16 Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However these amounts have not been adjusted to reflect revised budgets or administrative restructures, machinery of government changes.
- a) Commonwealth revenues were lower than original budget mainly due to the timing of Commonwealth contributions towards major projects including the South Road Upgrade from Torrens Road to River Torrens; North-South Corridor-Darlington and Goodwood and Torrens Rail Junction.
- b) Revenues from SA Government were higher than original budget mainly due to:
- the timing of works on the Goodwood and Torrens Rail Junction and the Adelaide City High School initiative
 - funds received from the Motor Accident Commission to the Highways Fund for future investment in road safety improvements.

INVESTING EXPENDITURE SUMMARY

		Original Budget (1) 2016 \$'000	Actual 2016 \$'000	Variance \$'000
	Note			
Investing Expenditure Summary				
Total new projects		69,668	103,827	34,159
Total existing projects	c	561,420	465,795	(95,625)
Total annual programs		89,472	80,987	(8,485)
Total investing expenditure		720,560	650,609	(69,951)

- (1) The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2015-16 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures, machinery of government changes.
- c) Total existing projects investing expenditure was lower than original budget largely due to delays in the tender process and ongoing claims for land acquisition. This resulted in construction commencing later than expected on projects including North-South Corridor Darlington initiative, O-Bahn extension into the city, South Road Superway and Torrens to Torrens.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 48: Indentured Ports

Charges collected for cargo services and harbour services are allocated to the Department and applied to the maintenance of indentured ports. Any remaining funds are returned to the Consolidated Account in accordance with section 90 of the *Harbours and Navigation Act 1993*. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the consolidated account in the year ended 30 June 2016 totalled \$11.794 million. This represents unused cargo and harbour services charges of \$1.024 million collected in the year ended 30 June 2015 but not paid to DTF as at 30 June 2015 and \$10.769 million of unused charges collected during the year ended 30 June 2016.

A further \$0.655 million remains payable to the consolidated account representing outstanding unused cargo and harbour service charges collected during the year ended 30 June 2016 but not paid to DTF as at 30 June 2016.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 49: Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001. Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the Fund.

	2016 \$'000	2015 \$'000
Inflows:		
Receipts into the Fund	10,459	7,879
Total Inflows	10,459	7,879
Outflows:		
Payments from the Fund	(7,586)	(3,858)
Total Outflows	(7,586)	(3,858)
Net Surplus	2,873	4,021
Fund Balance		
Balance at 1 July	55,191	51,170
Net surplus	2,873	4,021
Balance at 30 June	58,064	55,191

Receipts into the Fund

The receipts into the Fund in the year ended 30 June 2016 result predominantly from \$1.075 million (\$1.193 million) interest, \$3.499 million (\$0.999 million) sale of land, plant and equipment, \$5.093 million (\$4.980 million) rental and property income and \$0.700 million (\$0.700 million) appropriation from DTF for the Port River Expressway - Stage 3 (Rail).

Payments from the Fund

The payments from the Fund in the year ended 30 June 2016 result predominantly from money being spent on non-metropolitan passenger rail services projects.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 50: Community Road Safety Fund

The Community Road Safety Fund operates pursuant to section 79D of the *Road Traffic Act 1964*. The Community Road Safety Fund has been operative since 1 July 2003, and is currently funded by an appropriation from DTF.

These funds are utilised for the purposes of road safety initiatives, including a payment to the South Australia Police of \$39.3 million (\$38.3 million) for safety related policing expenditure. The appropriation for the year ended 30 June 2016 was \$81.021 million (\$81.021 million).

	2016	2015
	\$'000	\$'000
Inflows:		
Receipts into the Fund	81,397	81,399
Total Inflows	81,397	81,399
Outflows:		
Payments from the Fund	(80,352)	(81,772)
Total Outflows	(80,352)	(81,772)
Net Surplus /(Deficit)	1,045	(373)
 Fund Balance		
Balance at 1 July	12,013	12,386
Net surplus /(deficit)	1,045	(373)
Balance at 30 June	13,058	12,013

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 51: Commonwealth Funding Received for Specific Projects

The Commonwealth Funding Received for Specific Projects Account includes Commonwealth Grants received in relation to specific projects including the Accelerated Sturt Highway Package.

Receipts into the Account

In 2015-16 the fund includes Sturt Highway interest \$0.008 million, South Road Superway interest \$0.034 million and Gawler modernisation interest \$0.002 million.

Payments from the Account

In 2015-16 \$0.013 million was expended on the Sturt Highway.

	2016 \$'000	2015 \$'000
Inflows:		
Receipts into the Fund	44	51
Total Inflows	44	51
Outflows:		
Payments from the Fund	(13)	(3)
Total Outflows	(13)	(3)
Net Surplus	31	48
 Fund Balance		
Balance at 1 July	2,433	2,385
Net surplus	31	48
Balance at 30 June	2,464	2,433

Department of Planning, Transport and Infrastructure
Notes to and forming part of the financial statements
For the year ended 30 June 2016

Note 52: After Balance Date Events

On 7 July 2016 the Treasurer announced in the 2016-17 State Budget (Budget Paper 4) that the Office of the Valuer-General will transfer from the Department of Planning, Transport and Infrastructure to the Department of Treasury and Finance.

The Department is not aware of any further events occurring after balance date.

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Note No	2016 \$'000	2015 \$'000
EXPENSES			
Employee benefit expenses	A7	596	483
Supplies and services	A8	6,167	6,427
Grants and subsidies	A9	28,550	21,623
Disbursements on behalf of third parties	A10	927,940	917,907
Borrowing costs		62	79
Payments to Consolidated Account	A11	183,231	176,358
Total Expenses		1,146,546	1,122,877
INCOME			
Revenues from SA Government	A13	8,860	10,057
Fees and charges	A14	212,485	202,227
Collections on behalf of third parties	A15	924,850	911,794
Grants and subsidies	A16	3,610	3,612
Interest revenue	A17	591	540
Other income		214	234
Total Income		1,150,610	1,128,464
Net Result		4,064	5,587
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to net result</i>			
Changes in revaluation surplus		1,446	-
TOTAL COMPREHENSIVE RESULT		5,510	5,587

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED FINANCIAL POSITION
as at 30 June 2016

	Note No	2016 \$'000	2015 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	A18	73,353	62,931
Receivables	A19	421	365
Total Current Assets		73,774	63,296
NON-CURRENT ASSETS:			
Receivables	A19	365	665
Land	A20	17,844	16,398
Total Non-Current Assets		18,209	17,063
Total Assets		91,983	80,359
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	A22	46,838	39,701
Borrowings	A23	291	288
Provisions	A24	-	461
Other liabilities	A25	2,499	2,764
Total Current Liabilities		49,628	43,214
NON-CURRENT LIABILITIES:			
Borrowings	A23	365	665
Total Non-Current Liabilities		365	665
Total Liabilities		49,993	43,879
NET ASSETS		41,990	36,480
EQUITY:			
Retained Earnings		37,468	33,404
Asset Revaluation Surplus		4,522	3,076
Total Equity		41,990	36,480

Contingent assets and liabilities
Unrecognised contractual commitments

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Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED CHANGES IN EQUITY
for the year ended 30 June 2016

	Note No	Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2014		3,076	32,695	35,771
Error corrections identified in 2014-15		-	(4,440)	(4,440)
Restated Balance at 30 June 2014		3,076	28,255	31,331
Net result for 2014-15		-	5,587	5,587
Total comprehensive result for 2014-15		-	5,587	5,587
Balance at 30 June 2015		3,076	33,842	36,918
Prior Period - error correction	A26	-	(438)	(438)
Restated Balance at 30 June 2015		3,076	33,404	36,480
Net result for 2015-16		-	4,064	4,064
Gain on Revaluation of Land during 2015-16		1,446	-	1,446
Total comprehensive result for 2015-16		1,446	4,064	5,510
Balance at 30 June 2016		4,522	37,468	41,990

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

Department of Planning, Transport and Infrastructure
STATEMENT OF ADMINISTERED CASH FLOWS
as at 30 June 2016

	Notes	2016 \$'000 Inflows (Outflows)	2015 \$'000 Inflows (Outflows)
CASHFLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit costs		(536)	(477)
Supplies and services		(6,482)	(5,787)
Grants and subsidies		(23,915)	(10,827)
Disbursements on behalf of third parties		(926,516)	(919,399)
Payments to Consolidated Account		(182,359)	(175,463)
Total cash outflows		(1,139,808)	(1,111,953)
CASH INFLOWS:			
Receipts from SA Government		8,860	10,057
Receipts from fees and charges		212,172	204,496
Collection on behalf of third parties		924,850	911,794
Grants and subsidies		3,612	3,611
Interest		522	463
Other income		214	234
Total cash inflows		1,150,230	1,130,655
Net cash inflows (outflows) from Operating Activities	A27	10,422	18,702
CASHFLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of loans - SA Government		(359)	(350)
Total cash outflows		(359)	(350)
CASH INFLOWS:			
Repayment of loans - Local Government		359	350
Total cash inflows		359	350
Net cash inflows (outflows) from Financing Activities		-	-
NET INCREASE (DECREASE) IN CASH HELD		10,422	18,702
CASH AT 1 JULY		62,931	44,229
CASH AT 30 JUNE	A18	73,353	62,931

Department of Planning, Transport and Infrastructure
SCHEDULE OF EXPENSES AND INCOME ATTRIBUTABLE TO ADMINISTERED ACTIVITIES
for the year ended 30 June 2016

(Activities - refer to note A5)	Land Use Planning		Infrastructure Planning and Management		Roads and Marine		Recreation, Sport and Racing		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
EXPENSES:										
Employee benefit expenses	279	193	317	290	-	-	-	-	596	483
Supplies and services	3,141	2,893	3,026	3,534	-	-	-	-	6,167	6,427
Grants and subsidies	22,473	15,419	2,477	2,484	-	-	3,600	3,720	28,550	21,623
Disbursements on behalf of third parties	-	-	-	-	927,940	917,907	-	-	927,940	917,907
Borrowing costs	-	-	62	79	-	-	-	-	62	79
Payments to Consolidated Account	-	-	183,231	176,358	-	-	-	-	183,231	176,358
Total Expenses	25,893	18,505	189,113	182,745	927,940	917,907	3,600	3,720	1,146,546	1,122,877
INCOME:										
Revenues from SA Government	1,918	1,120	3,719	2,824	3,223	6,113	-	-	8,860	10,057
Fees and charges	26,578	23,228	185,907	178,999	-	-	-	-	212,485	202,227
Collections on behalf of third parties	-	-	-	-	924,850	911,794	-	-	924,850	911,794
Grants and subsidies	-	-	-	-	-	-	3,610	3,612	3,610	3,612
Interest revenue	396	315	195	225	-	-	-	-	591	540
Other income	-	17	214	217	-	-	-	-	214	234
Total Income	28,892	24,680	190,035	182,265	928,073	917,907	3,610	3,612	1,150,610	1,128,464
Net Result	2,999	6,175	922	(480)	133	-	10	(108)	4,064	5,587

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

The Administered Financial Statements include income, expenses, assets and liabilities that the Department of Planning, Transport and Infrastructure (the Department) administers on behalf of the SA Government, but does not control.

A1: Objectives of the Department

The objectives of the Department, outlined in Note 1 for controlled items, apply equally to the Administered Financial Statements.

A2: Department Organisation

The organisational structure of the Department outlined in Note 2 for controlled items, applies to both the Departmental and the Administered Financial Statements.

A3: Summary of Significant Accounting Policies

The policies of the Department outlined in Note 3 for controlled items, apply equally to the Administered Financial Statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Statement of Financial Position for controlled items.

A4: Changes in Accounting Policies

The changes in accounting policies outlined in Note 4 for controlled items, apply equally to the Administered Financial Statements. With respect to specific policies no changes have been noted for administered functions.

A5: Activities of the Department

The activities of the Department are outlined in Note 5 for controlled items. Activity 1: Land Use Planning, Activity 3: Recreation, Sport and Racing, Activity 5: Roads and Marine and Activity 7: Infrastructure Planning and Management apply to the Administered Financial Statements.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A6: Administered Items of the Department

The Administered Items of the Department as at 30 June 2016 comprised the following:

- Appropriations to Outback Communities Authority and Local Government Grants Commission
- Asbestos Program
- Contractors Deposits
- Flinders Ports – Land Tax Equivalent
- Heritage Program
- Lincoln Cove Marina
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Passenger Transport Research and Development Fund
- Planning and Development Fund
- Planning fees
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Recreation and Sport Fund
- Registrar-General and Surveyor-General Statutory Act Revenues
- Registration and Licensing collections and disbursements
 - Compulsory Third Party Insurance (CTPI)*
 - Emergency Services Levy
 - Expiations
 - Hospital Fund
 - Lifetime Support Scheme
 - Stamp duties
- South-Western Suburbs Drainage Scheme
- Special Act Salaries (Minister and Valuer-General)
- Sport and Recreation Fund
- Unclaimed salaries and wages
- Victims of Crime Levy
- West Beach Trust (trading as Adelaide Shores) – Tax Equivalent Regime
- Workers Liens Trust Account

*From the 1st July 2016, The Motor Accident Commission (MAC) ceases its statutory role as sole provider for Compulsory Third Party Insurance. Under CTP reforms, CTPI will be administered through the CTPI Regulator with insurance coverage provided by various private insurers.

A7: Employee Benefit Expenses

	2016	2015
	\$'000	\$'000
Minister and Valuer-General salaries*	596	483
Total Employee benefit expenses	596	483

*Employee benefit expenses are specific to the Minister and the Valuer-General.

A8: Supplies and Services

	2016	2015
	\$'000	\$'000
Project Expenditure	2,939	3,444
Professional and Technical Services	947	913
Planning Fees	1,540	1,363
Other ⁽¹⁾	741	707
Total Supplies and Services	6,167	6,427

(1) Includes audit fees paid/payable to the Auditor-General (refer Note A12)

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A9: Grants and Subsidies

	2016	2015
	\$'000	\$'000
Office for Recreation and Sport grants	3,600	3,720
Planning and Development Fund grant payments	20,547	14,622
West Beach Trust Tax equivalent reimbursements	865	797
Lincoln Cove Marina (Transfer to DTF)	129	126
Land Tax Equivalent - Flinders Ports (Transfer to DTF)	2,349	2,358
Transfer to Outback Communities Authority and Local Govt Grants Commission	1,060	-
Total Grants and Subsidies	28,550	21,623

A10: Disbursements on Behalf of Third Parties

	2016	2015
	\$'000	\$'000
Compulsory Third Party Insurance	481,944	477,774
Stamp Duties - Department of Treasury and Finance	158,886	156,046
Lifetime Support Scheme - Lifetime Support Authority	145,081	141,079
Hospital Fund - Department of Treasury and Finance	68,566	67,830
Emergency Services Levy - SA Fire & Emergency Services Commission	45,729	47,579
Refunds	17,659	16,746
Federal Registrations	9,146	9,291
Expiation Notices - Fines Enforcement Unit	309	483
Other	620	1,079
Total Disbursements on Behalf of Third Parties	927,940	917,907

A11: Payments to Consolidated Account

	2016	2015
	\$'000	\$'000
Payments to Consolidated Account *	183,231	176,358
Total Payments to Consolidated Account	183,231	176,358

* Payments made into the Consolidated Account pursuant to the *Real Property Act 1886*

A12: Auditor's Remuneration

	2016	2015
	\$'000	\$'000
Auditor's Remuneration - Planning and Development Fund	25	24
Total Auditor's Remuneration	25	24

Other Services

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

A13: Revenues from SA Government

	2016	2015
	\$'000	\$'000
Appropriations from the Consolidated Account pursuant to the <i>Appropriations Act</i> *	8,393	9,652
Special Acts	467	405
Total Revenues from SA Government	8,860	10,057

* Includes \$3.090 million (\$6.113 million) to fund remissions provided on emergency services levy charges.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A14: Fees and Charges

	2016	2015
	\$'000	\$'000
Regulatory Fees - Land Services	183,558	176,640
Regulatory Fees - Planning	26,578	23,229
Land Tax Equivalent - Flinders Ports	2,349	2,358
Total Fees and Charges	212,485	202,227

A15: Collections on Behalf of Third Parties

	2016	2015
	\$'000	\$'000
Compulsory Third Party Insurance	481,944	477,774
Stamp Duties - Department of Treasury and Finance	158,886	156,046
Lifetime Support Scheme - Lifetime Support Authority	145,081	141,079
Hospital Fund - Department of Treasury and Finance	68,566	67,830
Emergency Services Levy - SA Fire & Emergency Services Commission	42,639	41,467
Refunds	17,659	16,746
Federal Registrations	9,146	9,291
Expiation Notices - Fines Enforcement Unit	309	483
Other	620	1,078
Total Collections on Behalf of Third Parties	924,850	911,794

A16: Grants and Subsidies

	2016	2015
	\$'000	\$'000
Office for Recreation and Sport grants received	3,610	3,612
Total Grants and Subsidies	3,610	3,612

A17: Interest Revenue

	2016	2015
	\$'000	\$'000
Interest Revenue	591	540
Total Interest Revenue	591	540

A18: Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Deposits at call*	73,353	62,931
Total Cash and Cash Equivalents	73,353	62,931

* The Department of Planning, Transport and Infrastructure (DPTI) administered cash includes cash collected by the Department of Premier and Cabinet (DPC) on behalf of DPTI through various payment channels managed by DPC including Bpoint and Australia Post.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A19: Receivables

	2016 \$'000	2015 \$'000
Current:		
Current Receivables	292	301
Accrued Revenues	129	64
Total Current Receivables	421	365
Non-Current:		
Non-Current Loan Receivable	365	665
Total Non-Current Receivables	365	665
Total Receivables	786	1,030

(a) Maturity analysis of receivables – refer to Note A27

(b) Categorisation of financial instruments and risk exposure information – refer to Note A27

A20: Land

	2016 \$'000	2015 \$'000
Land:		
Land at Fair Value	17,844	16,398
Total Land	17,844	16,398

Reconciliation of Land

The following table shows the movement of Land during 2015-16.

	2016 \$'000	2015 \$'000
Carrying amount at 1 July	16,398	16,398
Revaluations	1,446	-
Carrying amount at 30 June	17,844	16,398

Land was revalued to fair value as at 1 July 2015 in accordance with AASB116 'Property, Plant and Equipment'. The valuation of land was performed by the Valuer-General. The valuer arrived at fair value based on recent market transactions for similar land in the area taking into account size, location, zoning and restricted use.

A21: Fair Value Measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Administered Financial Position are categorised into the following levels at 30 June 2016.

The Department had no Administered recurring or non-recurring fair value measurements categorised into Level 1 or Level 3.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

Fair Value Measurements at 30 June 2016

	2016	Level 2
	\$'000	\$'000
Recurring Fair Value Measurements		
Land (Note A21)	17,844	17,844
Total Recurring Fair Value Measurements	17,844	17,844

Fair value measurements at 30 June 2015

	2015	Level 2
	\$'000	\$'000
Recurring Fair Value Measurements		
Land (Note A21)	16,398	16,398
Total Recurring Fair Value Measurements	16,398	16,398

Valuation Techniques and Inputs

Valuation techniques used to derive Level 2 fair values are detailed in Note A21. There were no changes in valuation techniques during 2015-2016.

A22: Payables

	2016	2015
	\$'000	\$'000
Current:		
Creditors	11,777	9,868
Accrued Expenses	35,061	29,833
Total Current Payables	46,838	39,701
Total Payables	46,838	39,701

The Department of Planning, Transport and Infrastructure Administered creditors includes \$130,000 (\$68,000) comprising employee benefits \$118,000 (\$62,000) and employment on-costs \$12,000 (\$6,000).

- (a) Categorisation of financial instruments and maturity analysis of payables – refer to Note A27
- (b) Risk exposure information – refer Note A27.1

A23: Borrowings

	2016	2015
	\$'000	\$'000
Balance as at 1 July	953	1,224
Add Increases in debt due to Interest	62	79
Less Repayments:		
Woodville, Henley and Grange Drainage Scheme	(36)	(36)
South West Suburbs Drainage Scheme	(323)	(314)
Balance as at 30 June	656	953
Current	291	288
Non-Current	365	665
Total Borrowings	656	953

- (a) Categorisation of financial instruments and maturity analysis of borrowings – refer to Note A27
- (b) Risk exposure information – refer Note A27
- (c) Defaults and breaches – there were no defaults or breaches on any of the above liabilities throughout the year.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A24: Provisions

	2016 \$'000	2015 \$'000
Current:		
Survey Plan Royalties	-	461
Total current provisions	-	461
Total provisions	-	461
Reconciliation of Survey Plan Royalties		
Carrying amount 1 July:	461	-
Addition in the prior year	-	461
Reduction resulting from payments	(461)	-
Carrying amount at 30 June:	-	461

A25: Other liabilities

	2016 \$'000	2015 \$'000
Current:		
Deferred income	2,499	2,764
Total current other liabilities	2,499	2,764
Total other liabilities	2,499	2,764

Deferred income consists of revenue received in advance for land division fees. Monies received as at 30 June where a Certificate of Approval is yet to be issued are recognised as an unearned revenue liability.

A26: Equity

Prior Period Error Correction

A prior period adjustment was required to adjust the Planning and Development Fund Unearned Revenue Liability to reflect the correct balance as finalised December 2015 as part of the Planning and Development Fund audit.

A27: Financial Instruments

A27.1 Financial Risk Management

The financial instruments/financial risk management terms, conditions and accounting policies of the Department, outlined in Note 41 for controlled terms, apply equally to the Administered Financial Statements.

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.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A27.2 Categorisation and maturity analysis of financial assets and liabilities

		Contract Maturities		
	Carrying Amount (\$'000)	< 1 year (\$'000)	1-5 years (\$'000)	> 5 years (\$'000)
2016				
Financial Assets				
Cash and cash equivalents	73,353	73,353	-	-
Receivables	129	129	-	-
Receivables - Interest Bearing	657	292	365	-
Total Financial Assets	74,139	73,774	365	-
Financial liabilities				
Payables	46,838	46,838	-	-
Borrowings	656	291	365	-
Total Financial Liabilities	47,494	47,129	365	-
2015				
Financial assets				
Cash and cash equivalents	62,931	62,931	-	-
Receivables	77	77	-	-
Receivables - Interest Bearing	953	288	665	-
Total Financial Assets	63,961	63,296	665	-
Financial Liabilities				
Payables	39,701	39,701	-	-
Borrowings	953	288	665	-
Total Financial Liabilities	40,654	39,989	665	-

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 represents the Department's maximum exposure to liquidity risk.

Market risk

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk will not arise on the administered interest bearing liabilities and interest bearing assets as the interest rate is fixed over the term of the loan.

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A28: Cash Flow Reconciliation

	2016	2015
	\$'000	\$'000
Reconciliation of Cash and Cash Equivalents - Cash at 30 June as per:		
Statement of Cash flows	73,353	62,931
Statement of Financial Position	73,353	62,931
Reconciliation of Net Cash Inflows (outflows) from Operating Activities to Net Result:		
Net cash inflows (outflows) from operating activities	10,422	18,702
Movements in assets and liabilities:		
Increase / (decrease) in receivables	53	(2,561)
(Increase) / decrease in payables	(7,137)	(10,384)
(Increase) / decrease in provisions	461	(461)
(Increase) / decrease in other liabilities	265	291
Net Result	4,064	5,587

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A29: Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as the reporting date, classified according to their nature.

Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	EXPENSES						
7	Employee benefit expense	-	-	596	483	596	483
8	Supplies and Services						
	Project Expenditure	565	826	2,374	2,618	2,939	3,444
	Professional and Technical Services	947	913	-	-	947	913
	Planning Fees	53	5	1,487	1,358	1,540	1,363
	Other (excludes Auditor's Remuneration)	592	618	124	65	716	683
9	Grants and Subsidies						
	Office for Recreation and Sport grants	3,600	3,720	-	-	3,600	3,720
	Planning and Development Fund grant payments	1,520	4,116	19,027	10,506	20,547	14,622
	West Beach Trust Tax equivalent reimbursements	865	797	-	-	865	797
	Lincoln Cove Marina (Transfer to DTF)	129	126	-	-	129	126
	Land Tax Equivalent - Flinders Ports (Transfer to DTF)	2,349	2,358	-	-	2,349	2,358
	Transfer to Outback Communities Authority and Local Govt Grants						
	Commission	1,060	-	-	-	1,060	-
10	Disbursements on Behalf of Third Parties						
	Compulsory Third Party Insurance	481,944	477,774	-	-	481,944	477,774
	Stamp Duties - Department of Treasury and Finance	158,886	156,046	-	-	158,886	156,046
	Lifetime Support Scheme - Lifetime Support Authority	145,081	141,079	-	-	145,081	141,079
	Hospital Fund - Department of Treasury and Finance	68,566	67,830	-	-	68,566	67,830
	Emergency Services Levy - SA Fire & Emergency Services Commission	45,729	47,579	-	-	45,729	47,579
	Refunds	-	-	17,659	16,746	17,659	16,746
	Federal Registrations	-	-	9,146	9,291	9,146	9,291
	Expiation Notices - Fines Enforcement Unit	309	483	-	-	309	483
	Other	620	1,079	-	-	620	1,079

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

Note		SA Government		Non-SA Government		Total	
		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
N/A	Borrowing Costs	62	79	-	-	62	79
11	Payments to Consolidated Account	183,231	176,358	-	-	183,231	176,358
12	Auditor's Remuneration	25	24	-	-	25	24
	TOTAL EXPENSES	1,096,133	1,081,810	50,413	41,067	1,146,546	1,122,877
	INCOME						
13	Revenues from SA Government	8,860	10,057	-	-	8,860	10,057
14	Fees and Charges						
	Regulatory Fees - Land Services	165	667	183,393	175,973	183,558	176,640
	Regulatory Fees - Planning	494	468	26,084	22,761	26,578	23,229
	Land Tax Equivalent - Flinders Ports	-	-	2,349	2,358	2,349	2,358
15	Collection on Behalf of Third Parties						
	Compulsory Third Party Insurance	481,944	477,774	-	-	481,944	477,774
	Stamp Duties - Department of Treasury and Finance	158,886	156,046	-	-	158,886	156,046
	Lifetime Support Scheme - Lifetime Support Authority	145,081	141,079	-	-	145,081	141,079
	Hospital Fund - Department of Treasury and Finance	68,566	67,830	-	-	68,566	67,830
	Emergency Services Levy - SA Fire & Emergency Services Commission	42,639	41,467	-	-	42,639	41,467
	Refunds	-	-	17,659	16,746	17,659	16,746
	Federal Registrations	-	-	9,146	9,291	9,146	9,291
	Expiation Notices - Fines Enforcement Unit	309	483	-	-	309	483
	Other	109	217	511	861	620	1,078
16	Grants and Subsidies						
	Office for Recreation and Sport grants received	-	-	3,610	3,612	3,610	3,612
17	Interest Revenue	529	461	62	79	591	540
N/A	Other Income	-	44	214	190	214	234
	TOTAL INCOME	907,582	896,593	243,028	231,871	1,150,610	1,128,464

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

Note		SA Government		Non-SA Government		Total	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	FINANCIAL ASSETS						
18	Cash and cash equivalents	73,353	62,931	-	-	73,353	62,931
19	Receivables						
	Current Receivables	-	-	292	301	292	301
	Non-Current Loan Receivable	-	-	365	665	365	665
	Accrued Revenues	4	4	125	60	129	64
	TOTAL FINANCIAL ASSETS	73,357	62,935	782	1,026	74,139	63,961
	FINANCIAL LIABILITIES						
22	Payables						
	Creditors	5,451	6,802	6,326	3,066	11,777	9,868
	Accrued Expenses	244	-	34,817	29,833	35,061	29,833
23	Borrowings	656	953	-	-	656	953
24	Provisions	-	-	-	461	-	461
25	Other Liabilities	198	305	2,301	2,459	2,499	2,764
	TOTAL FINANCIAL LIABILITIES	6,549	8,060	43,444	35,819	49,993	43,879

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A30: Budgetary Reporting and Explanations of major variances between budget and actual amounts

		Original Budget ⁽¹⁾	Actual	Variance
		2016	2016	
	Note	\$'000	\$'000	\$'000
STATEMENT OF COMPREHENSIVE INCOME				
EXPENSES				
Employee benefit expenses		433	596	163
Supplies and services		5,199	6,167	968
Grants and subsidies		21,414	28,550	7,136
Disbursements on behalf of third parties		874,411	927,940	53,529
Borrowing costs		121	62	(59)
Payments to Consolidated Account		194,995	183,231	(11,764)
Total Expenses		1,096,573	1,146,546	49,973
INCOME				
Revenues from SA Government		7,301	8,860	1,559
Fees and charges		217,978	212,485	(5,493)
Collections on behalf of third parties		865,837	924,850	59,013
Grants and subsidies		3,720	3,610	(110)
Interest revenue		1,096	591	(505)
Other income		29	214	185
Total Income		1,095,961	1,150,610	54,649
Net Result		(612)	4,064	4,676
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to net result</i>				
Changes in revaluation surplus		-	1,446	1,446
TOTAL COMPREHENSIVE RESULT		(612)	5,510	6,122

(1) The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2015-16 Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However these amounts have not been adjusted to reflect revised budgets or administrative restructures, machinery of government changes.

There were no variations in 2015-16 that exceeded the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2016

A31: Victims of Crime Levy

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Department collects victims of crime levies from expiation notices issued.

	2016	2015
	\$'000	\$'000
Balance at 1 July	-	-
Levies collected during the year	108	218
Less amount paid to Attorney-General's Department	(108)	(218)
Amount payable to Attorney-General's Department	-	-

A32: Passenger Transport Research and Development Fund

Pursuant to Section 62 of the *Passenger Transport Act 1994*, the Public Transport Division of the Department administers, on behalf of the Minister for Transport and Infrastructure, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The fund may be applied by the Minister for Transport and Infrastructure for:

- The purpose of carrying out research into the taxi-cab industry;
- The purpose of promoting the taxi-cab industry; and/or
- Any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passengers transport industry, and an appropriate application of money standing to the credit of the Fund.

	2016	2015
	\$'000	\$'000
Inflows:		
Receipts into the Fund	-	-
Total Inflows	-	-
Outflows:		
Payments from the Fund	-	-
Total Outflows	-	-
Net Surplus/Deficit	-	-
Fund Balance		
Balance at 1 July	11	11
Net Surplus/Deficit	-	-
Balance at 30 June	11	11

Department of Planning, Transport and Infrastructure
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For the year ended 30 June 2016

A33: West Beach Trust (Tax Equivalent Regime)

Pursuant to the *West Beach Recreation Reserve Act 1987*, the Department reimburses West Beach Trust for payments it makes under the tax equivalent regime in recognition of non-profit making activities undertaken on behalf of the Government. Conversely, the Department receives government appropriation to fund these payments. This fund is administered on behalf of the Minister for Planning.

	2016 \$'000	2015 \$'000
Inflows:		
Receipts into the Fund	858	839
Total Inflows	858	839
Outflows:		
Payments from the Fund	865	797
Total Outflows	865	797
Net Surplus/Deficit	(7)	42
Fund Balance		
Balance at 1 July	937	895
Net Surplus/Deficit	(7)	42
Balance at 30 June	930	937

A34: Recreation and Sport Fund

The Recreation and Sport Fund was established by section 17 of the *Soccer Football Pools Act 1981*. The Act has since been repealed. The continued existence of the fund is attributable to section 16A of the *State Lotteries Act 1966*. The use of the funds is governed by the above legislation which states that the funds may be used for recreation and sport purposes. This fund is administered on behalf of the Minister for Recreation and Sport.

	2016 \$'000	2015 \$'000
Inflows:		
Receipts into the Fund	110	111
Total Inflows	110	111
Outflows:		
Payments from the Fund	100	220
Total Outflows	100	220
Net Surplus/Deficit	10	(109)
Fund Balance		
Balance at 1 July	1,439	1,548
Net Surplus/Deficit	10	(109)
Balance at 30 June	1,449	1,439

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A35: Sport and Recreation Fund

The Sport and Recreation Fund was established by section 73A of the *Gaming Machines Act 1992*. The funding is used to fund the Active Club and Sport and Recreation Development and Inclusion grant programs and the State Facilities Fund. The use of these funds is governed by the above legislation which states that they may be used for recreation and sport purposes. This fund is administered on behalf of the Minister for Recreation and Sport.

	2016	2015
	\$'000	\$'000
Inflows:		
Receipts into the Fund	3,500	3,500
Total Inflows	3,500	3,500
Outflows:		
Payments from the Fund	3,500	3,500
Total Outflows	3,500	3,500
Net Deficit	-	-
Fund Balance		
Balance at 1 July	3,322	3,322
Net Deficit	-	-
Balance at 30 June	3,322	3,322

A36: Contingent Assets and Liabilities

The Department is not aware of any administered contingent assets or liabilities.

A37: Unrecognised contractual commitments

	2016	2015
	\$'000	\$'000
Grant Commitments:		
Within one year	110	725
Total Unrecognised Contractual Commitments	110	725

A38: Transfer payments

	2016	2015
	\$'000	\$'000
Transfer payments to SA Government Entities:		
Department of Treasury and Finance	424,636	402,718
South Australian Fire and Emergency Services Commission	45,729	47,579
Fines Enforcement Unit	309	483
Lifetime Support Authority	145,081	141,079
Motor Accident Commission	470,469	477,774
Other	9,847	12,098
Transfer payment to Federal Government Entities:		
Department of Infrastructure and Regional Development	9,146	9,291
Transfer payment to local government:		
Councils	19,027	10,569
Transfer payment to non-SA Government Entities:		
Other	21,644	20,724
Total Transfer Payments	1,145,888	1,122,315

Department of Planning, Transport and Infrastructure
Notes to and forming part of the administered financial statements
For the year ended 30 June 2016

A39: After balance date events

On 7 July 2016 the Treasurer announced in the 2016-17 State Budget (Budget Paper 4) that the Office of the Valuer-General will transfer from the Department of Planning, Transport and Infrastructure to the Department of Treasury and Finance.

The Department is not aware of any further events occurring after balance date.

Certification of the financial statements

We certify that the:

- financial statements of the Department of Planning, Transport and Infrastructure:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Department of Planning, Transport and Infrastructure over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Julianne TePohe
A/Chief Executive

16 September 2016



Bill Cagialis
Chief Finance Officer

16 September 2016



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**To the Chief Executive
Department of Planning, Transport and Infrastructure**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Department of Planning, Transport and Infrastructure for the financial year ended 30 June 2016. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2016
- a Statement of Financial Position as at 30 June 2016
- a Statement of Changes in Equity for the year ended 30 June 2016
- a Statement of Cash Flows for the year ended 30 June 2016
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2016
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2016
- a Statement of Administered Financial Position as at 30 June 2016
- a Statement of Administered Changes in Equity for the year ended 30 June 2016
- a Statement of Administered Cash Flows for the year ended 30 June 2016
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2016
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Acting Chief Executive and the Chief Finance Officer.

The Chief Executive's responsibility for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

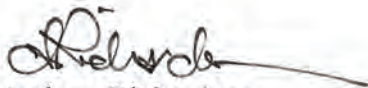
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Department of Planning, Transport and Infrastructure's website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Planning, Transport and Infrastructure as at 30 June 2016, 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.



Andrew Richardson

Auditor-General

22 September 2016